

Stock Code : 9938



**TAIWAN PAIHO LIMITED**

**2023 Annual General Shareholders' Meeting**

**Meeting Agenda**

**(Translation)**

**Meeting Type : Physical Shareholders' Meeting**  
**Meeting Time : 9:00 a.m., June 7, 2023**  
**Meeting Venue : Location of the Company (No.575, Ho Kang Rd.,  
Hemei Township, Changhua County 508, Taiwan.)**

## §Table of Content§

	Page
I. Procedure for the 2023 Annual General Shareholders' Meeting · · · · ·	1
II. Meeting Agenda · · · · ·	2
1. Report Items · · · · ·	3
2. Ratification Items · · · · ·	5
3. Election Items · · · · ·	7
4. Proposed Resolutions · · · · ·	8
5. Extemporaneous Motions · · · · ·	9
III. Attachments	
1. 2022 Business Report · · · · ·	10
2. Audit Committee's Review Report · · · · ·	15
3. Endorsements/ Guarantees Provided · · · · ·	16
4. Comparison Table of Amendments to "Codes of Ethical Conduct" · · · · ·	17
5. Independent Auditors' Report and 2022 Consolidated Financial Statements · · · · ·	21
6. Independent Auditors' Report and 2022 Parent Only Financial Statements · · · · ·	32
7. The list of candidates for directors (including independent directors) · · · · ·	43
8. Comparison Table of Amendments to "Rules and Procedures for Shareholders' Meetings" · · · · ·	47
9. Comparison Table of Amendments to "Operational Procedures for Loaning of Company Funds" · · · · ·	50
10. Comparison Table of Amendments to "Regulation Governing Making of Endorsements/Guarantees" · · · · ·	52
11. Contents of Candidates for New Directors and its Representatives as Non-Competition Restrictions · · · · ·	55

## IV. Appendix

1. “Articles of Incorporation” . . . . .	56
2. “Procedures for Governing the Election of Directors” . . . . .	65
3. “Codes of Ethical Conduct” (Original version) . . . . .	68
4. “Rules and Procedures for Shareholders’ Meetings” (Original version) . . . . .	72
5. “Operational Procedures for Loaning of Company Funds” (Original version) . . . . .	85
6. “Regulation Governing Making of Endorsements/Guarantees” (Original version) . . . . .	90
7. Shareholdings of Directors . . . . .	97
8. The Impacts of Stock Dividends Issuance on Business Performance and Earnings Per Share . . . . .	98

# TAIWAN PAIHO LIMITED

## Procedure for the 2023 Annual General Shareholders' Meeting

I. Call Meeting to Order

II. Chairperson' Opening Remarks

III. Report Items

IV. Ratification Items

V. Election Items

VI. Proposed Resolutions

VII. Extemporaneous Motions

VIII. Meeting Adjourned

# TAIWAN PAIHO LIMITED

## Agenda of 2023 Annual General Shareholders' Meeting

Time : 9 a.m., June 7, 2023(Wednesday)

Venue : Location of the Company (No.575, Ho Kang Rd., Hemei Township, Changhua County 508, Taiwan.)

Meeting Type : Physical Shareholders' Meeting

### I. Call the Meeting to Order

### II. Chairperson's Opening Remarks

### III. Report Items

1. 2022 Business Report (page 3)
2. Audit Committee's review report of 2022 (page3).
3. To report on 2022 employees' compensation and remuneration to directors (page 3).
4. To report the cash dividends of 2022 earnings distribution (page 3-4).
5. To report the endorsements/guarantees amount of the Company and its subsidiaries accounted for more than 50% of the net worth (page 4).
6. To report the amendments to "Codes of Ethical Conduct". (page 4).

### IV. Ratification Items

1. Adoption of the 2022 Business Report and Financial Statements (page 5).
2. Adoption of the proposal for distribution of 2022 profits (page 6).

### V. Election Items

1. Re-election for the 14<sup>th</sup> Directors of the Company (page 7).

### VI. Proposed Resolutions

1. Amendments to "Rules and Procedures for Shareholders' Meetings" (page 8).
2. Amendments to "Operational Procedures for Loaning of Company Funds" (page 8).
3. Amendments to "Regulation Governing Making of Endorsements/Guarantees" (page 8).
4. To lift the non-competition restrictions for new directors and its representatives of the Company. (page 9).

### VII. Extemporaneous Motions

### VIII. Meeting Adjourned

## Report Items

### 1. 2022 Business Report

Description : Please refer to Attachment 1 for 2022 Business Report (page 10-14).

### 2. Audit Committee's review report of 2022

Description : Please refer to Attachment 2 for Audit Committee's review report of 2022 (page 15).

### 3. To report on 2022 employees' compensation and remuneration to directors

Description : The Company's net profit before tax for the distribution of compensation to the employees and remuneration to the directors in 2022 was in the amount of NT\$1,972,287,491 dollars (the same currency used hereinafter). The Board of Directors resolved the distribution of compensation in cash to employees: \$26,735,699 (1.36%) and remuneration in cash to directors: \$17,233,552 (0.87%) as follows:

Unit : NT\$

Item	Persons Awarded	Amount of Payment per Board Resolution	Payment Method
Compensation to Employees	Employees	\$ 26,735,699	In Cash
Remuneration to Directors	Directors	17,233,552	In Cash
Total		\$ 43,969,251	

### 4. To report the cash dividends of 2022 earnings distribution

Description :

- (1) The Company's unappropriated retained earnings of previous years was in the amount of NTD 4,168,349,827, plus 2022 net profit after tax of NTD 1,520,409,871, minus NT\$20,475,568 from various adjustments to retained earnings, and after Legal reserves of NTD 149,993,430, and reversal of special reserve of NTD 566,710,988, the distributable retained earnings of current period was in the amount of NTD 6,085,001,688.

- (2) Please refer to Ratification Items 2 for Table of 2022 Earnings Distribution. (page 6)
- (3) In accordance with the Article 29-1 of the “Articles of Incorporation,” the Board of Directors is authorized and resolved the dividend to shareholders of 2022 earnings will distribute NTD 744,909,755 in cash, with NTD 2.5 per share.
- (4) If changes in the capital (buyback of shares or transfer, conversion and cancellation of treasury stock) that influence the numbers of shares outstanding and effect changes in the shareholders’ allotment ratio, it is proposed to authorize the Chairman to adjust related matters.
- (5) On the 22<sup>nd</sup> session of the 13<sup>th</sup> Board of Directors on April 20, 2023, the cash dividend distribution was approved and proposed, and authorized the Chairman to set the record date and payable date for distribution dividends. The cash dividend is calculated according to the common stock shareholders listed in the registry and their shareholding ratio on the record date. The dividend will be paid in cash with calculation rounded down to the nearest on NTD (any amount under one NTD will be discarded). The remaining fraction will be incorporated into other revenue of the Company.

5. To report the endorsements/guarantees amount of the Company and its subsidiaries accounted for more than 50% of the net worth

Description: The endorsements/guarantees of the Company and its subsidiaries are all affiliated company with more than 50% shareholdings held by the Company and its subsidiaries, and it is mainly for the business needs of the affiliated companies in applying for a loan from the bank and issuing a letter of credit. The total amount of endorsements/guarantees made by the Company and its subsidiaries as of the end of 2022 was in amount of NT\$12,652,520 thousand, accounting for 107.37% of the Company’s net worth on December 31, 2022. Please refer to Attachment 3 (page 16)

6. To report the amendments to “Codes of Ethical Conduct”.

Description: In order to strengthen and implement the Company's ethical corporate management and sound development, with reference to “Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies” and “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”, the Board of Directors resolved to revise partial articles of the Company's “Codes of Ethical Conduct”, the Comparison Table of Amendments to “Codes of Ethical Conduct” is attached hereto as Attachment 4 (page 17-20).

## Ratification Items

1. Adoption of the 2022 Business Report and Financial Statements (Proposed by the Board of Directors).

Explanation :

- (1) The Company's 2022 Consolidated Financial Statements and Parent Only Financial Statements have been audited by Shu-Chin Chiang and Ting-Chien Su of Deloitte & Touch, who have issued unmodified opinion.
- (2) Pursuant to Article 228 of the "Company Act," the Company compiled with the following reports:
  - ① Business Report, please refer to Attachment 1 (page 10-14).
  - ② Consolidated Financial Statement, please refers to Attachment 5 (page 21-31).
  - ③ Parent Only Financial Statement, please refer to Attachment 6 (page 32-42).
- (3) The attached reported and Financial Statements have been reviewed and issued a review report by the audit committee and hereby submitted for adoption.

Resolution :



2. Adoption of the Proposal for Distribution of 2022 Profits (Proposed by the Board of Directors).

Explanation :

(1) 2022 Profits distribution proposal is as follows:

TAIWAN PAIHO LIMITED  
Table of 2022 Earnings Distribution

Unit : NT\$

Unappropriated retained earnings of previous years.		\$ 4,168,349,827
2022 net profit after tax.	\$1,520,409,871	
Changes in ownership interests in subsidiaries	( 37,437,690)	
Adjustment arising from investments accounted for using equity method.	8,843,669	
Remeasurement of 2022 defined benefit plans recognized in retained earnings.	33,615,446	
Disposition of subsidiaries under equity instruments at FVTOCI, the cumulative gain or loss is transferred directly to retained earnings.	( 25,496,993)	
Net Profit after tax plus the adjustments of various types of retained earnings in current period.		1,499,934,303
Legal reserves (10%).		( 149,993,430)
Reversal of Special reserves.		566,710,988
Distributable retained earnings of current period		6,085,001,688
Distribution items:		
Dividend to common shareholders. (Cash dividend of NT\$2.5 per share; total NT\$ 744,909,755)		(744,909,755)
Unappropriated retained earnings at the end of period.		\$ 5,340,091,933

Chairman: Sen-Mei Cheng General Manager: Cheng-Wei Cheng Accounting Supervisor: Yao-Da Huang

(2) A 5% tax rate is applied to undistributed earnings under Article 66-9 of the "Income Tax Law." In accordance to the Ministry of Finance announcement letter No.871941343 issued on April 30, 1998, the distributed earnings should be individually recognized, and priority given to the latest years' earnings.

Resolution :

## Election Items

1. Re-election for the 14<sup>th</sup> Directors of the Company (Proposed by the Board of Directors).

Explanation :

- (1) The term of the 13<sup>th</sup> directors (including independent directors) of the Company expired on June 9, 2023. It is proposed to re-elect directors (including independent directors) at the General Shareholders' Meeting of 2023.
- (2) According to Article 19 and 19-1 of the "Articles of Incorporation" of the Company, the Company shall have seven to twelve directors, the selection of directors shall be based on the candidate nomination system. The Board of Directors shall include at least three independent directors and should be no less than 1/3 of the total numbers of directors. It is proposed to re-elect ten directors (including four independent directors) at the General Shareholders' Meeting of 2023. For a three-year term beginning on June 7, 2023 and ending on June 6, 2026. The audit committee shall consist of independent directors only.
- (3) The directors (including independent directors) candidates have been approved by the Board of Directors of the Company on April 20, 2023. The list of candidates for directors (including independent directors) is attached hereto as Attachment 7 (page 43-46).
- (4) "Procedures for Governing the Election of Directors" is attached hereto as Appendix 2 (page 65-67).

Election results :

## Proposed Resolutions

1. Amendments to “Rules and Procedures for Shareholders’ Meetings” (Proposed by the Board of Directors)

Explanation : It is proposed to amend partial articles of the Company’s “Rules and Procedures for Shareholders’ Meetings” to comply with Letter 1120004167 from Taiwan Stock Exchange Corporation of R.O.C. for amendments made to “Sample Template for XXX Co., Ltd. Rules of Procedures of Shareholders’ Meetings” issued on March 17, 2023. The Comparison Table of Amendments to “Rules and Procedures for Shareholders’ Meetings” is attached hereto as Attachment 8 (page 47-49).

Resolution:

2. Amendments to “Operational Procedures for Loaning of Company Funds ” (Proposed by the Board of Directors)

Explanation : In order to meet operational needs, the Board proposed to amend partial articles of “Operational Procedures for Loaning of Company Funds.” The Comparison Table of Amendments to “Operational Procedures for Loaning of Company Funds” is attached hereto as Attachment 9. (page 50-51)

Resolution:

3. Amendments to “Regulation Governing Making of Endorsements/Guarantees” (Proposed by the Board of Directors)

Explanation : In order to meet operational needs, the Board proposed to amend partial articles of “Regulation Governing Making of Endorsements/Guarantees.” The Comparison Table of Amendments to “Regulation Governing Making of Endorsements/Guarantees” is attached hereto as Attachment 10. (page 52-54)

Resolution :

4. To lift the non-competition restrictions for new directors and its representatives of the Company. ( Proposed by the Board of Directors)

Explanation :

1. According to Article 209 of the “Company Act”, a director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. The new directors and its representative may invest or operate in other companies with the same or similar business scope and act as directors or managers of the other companies. Under the non-destructive and the interests of the Company, after re-election of directors at the General Shareholders’ Meeting of 2023, the new directors and its representative shall be submitted to the shareholders’ meeting for approval to lift the non-competition restrictions behavior of themselves. Contents of Candidates for New Directors and its Representatives as Non-Competition Restrictions is attached hereto as Attachment 11 (page 55).

Resolution :

## **Extemporary Motions**

## **Meeting Adjourned**

## 2022 Annual Business Report

### 1. Business Implementation Outcome

Unit: NT\$ thousands

Item	2022	2021	Difference Amount	Difference (%)
Net Sales	\$16,270,386	\$18,287,786	(\$2,017,400)	( 11.0)
Gross Profit	5,590,581	6,928,521	( 1,337,940)	( 19.3)
Profit from Operations	2,714,748	3,977,812	( 1,263,064)	( 31.8)
Profit Before Income Tax	2,570,634	4,026,897	( 1,456,263)	( 36.2)
Net Profit	1,788,781	2,666,050	( 877,269)	( 32.9)
Net Profit Attributable to Owners of the Corporation	1,520,410	2,059,783	( 539,373)	( 26.2)
<p>Change and Difference Analysis:</p> <p>Overall sales and operation costs went up in 2022 caused by Russia-Ukraine War, inflation and interest rate hiking. Furthermore, sales from property business decreased significantly as the selling entered the late stage. That caused the consolidated net revenue, operation margin and profit, and earnings before or after tax have gone down compared to 2021.</p>				

2. Budget Execution: For the year of 2022, the Company has not established a financial forecast.

### 3. Financial Revenue/Expenditure and Profitability Analysis

Item \ Year		2022	2021
Capital Structure	Debt Ratio (%)	54.5	52.9
	Long-term Funds to Property, Plant and Equipment Ratio (%)	103.7	168.1
Liquidity	Current Ratio (%)	86.2	165.0
	Quick Ratio (%)	49.3	92.9
Profitability	Return on Total Assets (%)	6.7	9.2
	Return on Equity Attributable to Owners of the Corporation (%)	12.7	20.4
	Net Profit Margin (%)	11.0	14.6
	Earnings Per Share (NT\$)	5.10	6.91

### 4. Research and Development

In 2023, our development projects for new products include hook upper fabric, environmental shoelace and plain-woven fabric, eyelet knit webbing, hummingbird functional shoelaces, 3D double-layered knit webbing, loop-woven fabric label and hook webbing, and multi-color reflective lamination.

## 5. 2023 Business Plan Overview

### (1) Operational Strategy

- ① Deepen the concept of management for sustainable development, keep strengthening corporate governance, continue advocating and implementing various energy saving and carbon reduction measures and promote social engagement and employee care.
- ② Promote, with full efforts, online digital marketing and respond to market demands for light weight, air permeability and comfort, and environmental protection, which will be the major directions of future marketing and innovation and R&D.
- ③ We will keep accelerating our global deployment and resource integration to make available local services which are fast and integrated.
- ④ Construct complete selling channels emphasizing innovative materials, which can start from giving total solutions during the production development stage, establishing close interaction with the major brands to reinforce partnerships of reciprocity.
- ⑤ To enable one-stop production in a diverse market, other than a growing talent pool for patterned woven fabric and Knitted Jacquard Mesh, related technology advancements have never stopped. We focus on yarn that is environmental, lightweight, breathable and with special functionalities, as well as the process techniques.
- ⑥ We will continue the innovative development procedures to discover new application possibilities and to meet the one-stop service need from customers.

### (2) Expected Sales Quantity and its Basis

With diversifying production and sales items and broad processing applications, we have a customer base coming from various industries with full recognition from the major brands. With increasing sales items, production and manufacturing capacities in Vietnam and Indonesia, our revenue from footwear and garments remain stable growth on top of the solid foundation, in addition to the witnessed performances from sector expansion and application exploitation.

### (3) Important Production and Marketing Policies

- ① Following the sustainable policies from major brands, the Company is also pushing the uses of innovative materials, waste yarn recycling and repurpose, direct spray (to cut back dyeing) and carrying out various energy measures.

- ② Through digital catalogue and 3D sample/sampling system to maintain the development and interaction of audiovisual materials for the brand, and provide customers an online platform for selection and simulated design. Establishing different marketing modes and continuing to strengthen the interaction with brand customers to optimize the opportunity for development with brand customers and other customers through concerted effort.
- ③ We will diversify our market presence, explore the back-end process field to add values to our products, and build a project-base sales force to expand the business.
- ④ To cope with labor shortage under rising wages from all regions, we will use our processing technology with automated production procedures to allow not only labor and material saving on the customer end but also offer more product selections to achieve win-win situation.
- ⑤ We are under the process to integrate group-wide resource and material cost information, which will enable a flexible and faster delivery schedule under the ever-changing market condition, and better market position.

#### (4) The Company's Future Development Strategy

- ① Using our experience and foundation on hand, we will continue to engage with major brand customers for co-development and co-innovation.
- ② Green environment production, energy conservation and waste reduction, ESG implementation and fulfillment of corporate social responsibility.
- ③ Continue improving overseas production facilities and strengthen manufacturing capability in each site with the addition of service locations to shorten delivery time with nearby customer services for satisfactory and needs.
- ④ Our project-oriented sales teams, covering 3C, automobiles, aerospace accessories, military supplies, boutique suitcase and bags, etc., will conduct marketing campaigns based on the nature of the project.
- ⑤ To tackle the ever-changing competition and a diverse customer base and remain as a best strategic partner for our customers, our efforts on R&D, production technology and back-end process facilities will never stop.



(5) Affected by the External Competitive Environment, Regulatory Environment, and Overall Business Environment

Not like our competitors who mostly concentrate on single products, we are more than a supplier in the main and auxiliary material sectors. Through years of experience and technology, we are able to provide better services and know-how to our customers. Moreover, our proven back-end procedures are capable of providing product designs and total solution to our customers. All these allow us to possess advantageous strengths and a foundation for a sustainable and long-lasting operation.

The Company values environmental protection and human rights. Each product is manufactured in accordance with RSL and EU REACH and ROHS regulations; also, meets the requirements of being non-toxic, harmless, chemical-free and heavy metal pollution-free of various international brands. The Company has setup production and sales offices in Taiwan, Wuxi and Dongguan in China, Vietnam, and Indonesia. Also, a service office is setup in Portland, USA to make a direct contact with the headquarters of international brands. Are with service bases setup nearby to provide customers with the fastest and best service. The Company's business model is beyond the reach of the peers in this industry, which is an excellent advantage for the Company's sustainable development.

After the rapid growth of global market in 2021, consecutive Fed rate hikes, Russia-Ukraine War and Zero Covid 19 policy in China, the global economy has slowed down. Facing the swift macro changes, the Company will strive even harder to expand income sources and cut down the expenditures through developing new industrial and innovative products, making good use of the resources of its overseas and domestic bases, and implementing energy saving and carbon reduction, strengthening corporate governance and fulfilling corporate social responsibility for sustainable development.

Chairman:  
Sen-Mei Cheng

General Manager:  
Cheng-Wei Cheng

Accounting Officer:  
Yao-Da Huang

**Audit Committee's Review Report**

The Board of Directors has prepared and submitted the Company's 2022 Business Report, Financial Statements and proposals of earnings distribution. The independent auditors Shu-Chin Chiang and Ting-Chien Su of Deloitte & Touche have audited the Financial Statements and issued audit report relating to the Financial Statements.

The Business Report, Financial Statements, and proposals of earnings distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of TAIWAN PAIHO LIMITED. Therefore, we hereby submit this report in accordance with Article 14 of the Securities and Exchange Act and Article 219 of the Company Act.

Please review accordingly.

Sincerely,

2023 Annual General Shareholders' Meeting

TAIWAN PAIHO LIMITED

Jui-Lin Lo

Chairman of Audit Committee

April 20, 2023

### Attachment 3

**As of the end of 2022, the detail of endorsements/guarantees undertaken by the Company and its subsidiaries is specified below:**

Unit: In Thousands of New Taiwan Dollars or Foreign Currency

Endorser/Guarantor	Endorsee/Guaranteed Party Name	Endorsement/Guarantee Amount	Ratio of Accumulated Endorsement and Guarantee / The Company's Net Worth on December 31, 2022
The Company	Paiho Int'L Limited.	30,710 (USD 1,000)	0.26%
	Zhong Yuan Xing Ye Company Ltd.	30,710 (USD 1,000)	0.26%
	PT. Paiho Indonesia.	2,272,540 (USD 74,000)	19.29%
The amount of endorsements/guarantees of the Company (A)		2,333,960 (USD 76,000)	19.81%
Paiho Shih Holdings Corporation	Hon Shin Corp.	92,130 (USD 3,000)	0.78%
	Vietnam Paihong Limited Company.	5,619,930 (USD 183,000)	47.69%
	Hong Kong Best Expectation International Trading Limited.	4,606,500 (USD 150,000)	39.09%
The amount of endorsements/guarantees of the Paiho Shih Holdings Corporation (B)		10,318,560 (USD 336,000)	87.56%
The total amount of endorsements/guarantees of the Company and its subsidiaries (C)=(A)+(B)		12,652,520 (USD 412,000)	107.37%

Note 1: The individual amount shall not exceed 100% of the net worth of the Company and Paiho Shih Holdings Corporation and the total amount shall not exceed total endorsements/guarantees limit.

Note 2: The total amount of the endorsements/guarantees shall not exceed 250% of the net worth of the Company and Paiho Shih Holdings Corporation.

### Comparison Table of Amendments to “Codes of Ethical Conduct”

Article No.	Amended Version	Original Version	Explanations
Article 2	<p>Content of the code</p> <p>Taking its individual circumstances and needs into consideration, the Company shall adopt a code of ethical conduct that addresses the following ten matters:</p> <p>The relevant units shall submit a petition to the Chairman for approval in any of the following circumstances, and a significant event shall be reported to the Board of Directors for resolution.</p> <p>1. Omitted.</p> <p>2. Prevent Conflicts of Interest:</p> <p>Conflicts of interest arise when personal interests or the Company’s overall interests are involved, for example, when the Company’s personnel are unable to handle official duties in an objective and efficient manner, or based on their positions in the Company to obtain illegal gains for the principal, spouses, or second cousins. The transactions between the Company and the associates of the aforementioned personnel should be handled as follows: (1) Loaning of funds, it shall be handled according to the Company’s “Operational Procedures for Loaning of</p>	<p>Content of the code</p> <p>Taking its individual circumstances and needs into consideration, the Company shall adopt a code of ethical conduct that addresses the following ten matters:</p> <p>The relevant units shall submit a petition to the Chairman for approval in any of the following circumstances, and a significant event shall be reported to the Board of Directors for resolution.</p> <p>1. Omitted.</p> <p>2. Prevent Conflicts of Interest:</p> <p>Conflicts of interest arise when personal interests or the Company’s overall interests are involved, for example, when the Company’s personnel are unable to handle official duties in an objective and efficient manner, or based on their positions in the Company to obtain illegal gains for the principal, spouses, <u>parents</u>, <u>children</u>, or second cousins. The transactions between the Company and the associates of the aforementioned personnel should be handled as follows: (1) Loaning of funds, it shall be handled according to the Company’s “Operational</p>	<p>Revised,</p> <p>Reference to Article 2 of “Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies” and Article 10 of “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”</p>

	<p>Company Funds;” (2) When guarantee is provided, it shall be handled in accordance with the Company’s “Regulation Governing Making of Endorsements/Guarantees;” (3) For major assets transactions or long-term equity investments, it shall be handled in accordance with the Company’s “Procedures for the Acquisition or Disposal of Assets;” (4) Purchase (sale) orders and the management of payables and receivables arising from the purchase (sales) of products shall be handled in accordance with the relevant provisions of the Company’s procurement and sales cycle.</p> <p>The Company formulates anti-conflict of interest policies in relevant internal control and management, and provides appropriate channels for the Company’s personnel to proactively explain whether they have potential conflicts of interest with the Company.</p> <p>3. Minimizing incentives to pursue personal gain:</p> <p>The Company's personnel shall prevent from engaging in any of the following activities: (1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage</p>	<p>Procedures for Loaning of Company Funds;” (2) When guarantee is provided, it shall be handled in accordance with the Company’s “Regulation Governing Making of Endorsements/Guarantees;” (3) For major assets transactions or long-term equity investments, it shall be handled in accordance with the Company’s “Procedures for the Acquisition or Disposal of Assets;” (4) Purchase (sale) orders and the management of payables and receivables arising from the purchase (sales) of products shall be handled in accordance with the relevant provisions of the Company’s procurement and sales cycle.</p> <p>The Company formulates anti-conflict of interest policies in relevant internal control and management, and provides appropriate channels for the Company’s personnel to proactively explain whether they have potential conflicts of interest with the Company.</p> <p>3. Minimizing incentives to pursue personal gain:</p> <p>The Company's personnel shall prevent from engaging in any of the following activities: (1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage</p>	
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	<p>of their positions. (2) Obtaining personal gain by using company property or information or taking advantage of their positions. (3) Competing with the Company. When the Company has an opportunity for profit, it is the responsibility of the directors and managerial officers to maximize the reasonable and proper benefits that can be obtained by the Company.</p> <p><b><u>Insiders of the Company are prohibited from trading their shareholding during the 30-day period prior to the announcement of the annual financial report and 15 days prior to the announcement of the quarterly financial report.</u></b></p> <p>4.~8. Omitted.</p> <p>9. Encouraging reporting on illegal or unethical activities: The Company shall raise awareness of ethics internally and encourage employees to report to an Independent Director, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the Code of Ethical Conduct. <b><u>To encourage reporting of illegal matters, the Company shall stipulate a whistleblower system that allows anonymous reporting</u></b></p>	<p>of their positions. (2) Obtaining personal gain by using company property or information or taking advantage of their positions. (3) Competing with the Company. When the Company has an opportunity for profit, it is the responsibility of the directors and managerial officers to maximize the reasonable and proper benefits that can be obtained by the Company.</p> <p>4.~8. Omitted.</p> <p>9. Encouraging reporting on illegal or unethical activities: The Company shall raise awareness of ethics internally and encourage employees to report to an Independent Director, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the Code of Ethical Conduct. <b><u>In order to encourage employees to report any violation committed, the Company should handle the reported</u></b></p>	
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	<p><u>and protects the whistleblower's identity</u> from retaliation.</p> <p>10. Omitted.</p>	<p><u>event in a confidential manner, objectively verify it through independent channels, and do its utmost to protect the safety of the reporters</u> from retaliation.</p> <p>10. Omitted.</p>	
Article 5	<p>Enforcement</p> <p><u>The Principle has been agreed by the Sustainable Development Committee, approved by the Board and reported in the shareholders' meeting for follow-up execution. Any future amendments to the Principles shall be agreed by the Sustainable Development Committee and sent to the Board for resolution.</u></p>	<p>Enforcement</p> <p><u>The Code of Ethical Conduct shall be effective once approved by of the Audit Committee and the Board of Directors, and submitted to shareholders meeting. The same applies in case of revision.</u></p>	<p>To comply with the amendments to operational needs.</p>

## Independent Auditors' Report

To: TAIWAN PAIHO LIMITED

### Audit Opinion

We have audited the accompanying consolidated financial statements of Taiwan Paiho Limited and its subsidiaries (collectively the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated income statement, consolidated statement of cash flows for the years then ended, and notes to consolidated financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulation Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our reports. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters are addressed in the context of our audit of the consolidated financial statements as a whole and informing our opinion thereon, and we do not provide a separate



opinion on these matters.

The key audit matter for the consolidated financial statements for the year ended December 31, 2021 is stated as follows:

#### Recognition of sales revenue

The main business items of the Group include the manufacturing and sale of touch fasteners, webbing shoelaces, elastic, and relevant peripheral materials as well as the sale of residential buildings constructed by construction contractors. Among all, the revenue from the sale of webbing shoelaces significantly influences the operating revenue and profit of the Group. Therefore, we include the above-mentioned sales revenue as a key audit matter. Please refer to Note 4 to Consolidated Financial Statements.

We have conducted procedures related to the matters included the following, among others:

1. We understood the design and implementation of internal controls and procedures for recognizing the sales revenue, and sampled and verified the appropriateness of the original orders approved.
2. We picked samples from the statement of webbing shoelaces sales, compared to relevant documents, including order form, shipping order, and sales invoice, and checked the payment collection to verify the authenticity of revenue recognition.

#### **Miscellaneous**

We have also audited the parent only financial statements of Taiwan Paiho Limited as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and the IFRS, IAS, IFRIC, and SIC, endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operation, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements.**

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statement.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We have also conducted the following work:

1. Identify and assess the risk of material misstatement of the consolidated financial statement whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the disclosures), and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identify during our audit).

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may responsibly be thought to bear on our independence (including related applicable safeguard).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and therefore the audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Taiwan

Shu-Chin Chiang CPA

Ting-Chien Su CPA

March 24, 2023

#### Notice to Readers

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

## TAIWAN PAIHO LIMITED AND SUBSIDIARIES

## Consolidated Balance Sheets

December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code	Asset	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 3,728,083	12	\$ 3,531,290	12
1110	Financial assets at fair value through profit and loss – current (Notes 4 and 7)	141,102	-	-	-
1136	Financial assets measured at amortized cost – current (Notes 4 and 9)	230,769	1	221,866	1
1150	Notes receivable (Notes 4 and 10)	56,857	-	140,824	-
1170	Trade receivables (Notes 4 and 10)	2,066,491	6	2,835,196	10
1200	Other receivable (Note 4)	171,027	1	347,011	1
1310	Inventories – manufacturing (Notes 4 and 11)	3,051,293	10	3,035,641	11
1320	Inventory – constructing (Notes 4 and 11)	2,273,955	7	2,756,659	10
1470	Other current assets (Notes 17 and 25)	940,094	3	679,164	2
11XX	Total current assets	<u>12,659,671</u>	<u>40</u>	<u>13,547,651</u>	<u>47</u>
	Non-current assets				
1535	Financial assets measured at amortized cost – non-current (Notes 4, 9 and 31)	117,634	-	289,073	1
1600	Property, plant and equipment (Notes 4, 13 and 31)	16,531,780	52	12,328,979	43
1755	Right-of-use assets (Notes 4 and 14)	1,522,719	5	1,463,606	5
1760	Investment property (Notes 4 and 15)	138,977	-	142,865	-
1805	Goodwill (Note 4 and 16)	181,031	1	191,041	1
1821	Other intangible assets (Notes 4)	26,819	-	4,469	-
1840	Deferred income tax assets (Notes 4 and 25)	179,381	1	354,358	1
1915	Prepayment for machinery and equipment	391,423	1	543,815	2
1995	Other non-current assets (Note 17)	84,111	-	70,005	-
15XX	Total non-current assets	<u>19,173,875</u>	<u>60</u>	<u>15,388,211</u>	<u>53</u>
1XXX	Total assets	<u>\$ 31,833,546</u>	<u>100</u>	<u>\$ 28,935,862</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2102	Short-term borrowings (Note 18)	\$ 6,659,884	21	\$ 2,863,774	10
2130	Contractual liabilities – current (Notes 4, 23, 30 and 32)	32,558	-	998,329	3
2150	Notes payable	76,838	-	104,865	-
2170	Trade payables	570,458	2	882,034	3
2200	Other payables (Notes 19 and 24)	1,620,065	5	1,659,901	6
2230	Current tax liabilities (Notes 4 and 25)	1,033,977	3	1,016,382	4
2280	Lease liabilities – current (Notes 4, 14 and 30)	17,917	-	30,458	-
2320	Current portion of long-term borrowings (Notes 18 and 31)	4,629,791	15	576,310	2
2399	Other current liabilities (Note 4)	43,798	-	80,765	-
21XX	Total current liabilities	<u>14,685,286</u>	<u>46</u>	<u>8,212,818</u>	<u>28</u>
	Non-current liabilities				
2540	Long-term borrowings (Notes 18 and 31)	727,909	2	5,247,409	18
2570	Deferred tax liabilities (Notes 4 and 25)	1,553,592	5	1,384,016	5
2580	Lease liabilities – non-current (Notes 4, 14 and 30)	38,014	-	96,613	1
2630	Deferred revenue – non-current (Note 4 and 14)	126,665	-	84,498	-
2640	Net defined benefit liabilities – non-current (Notes 4 and 20)	199,566	1	266,100	1
2645	Guarantee deposits received	14,314	-	14,049	-
25XX	Total non-current liabilities	<u>2,660,060</u>	<u>8</u>	<u>7,092,685</u>	<u>25</u>
2XXX	Total liabilities	<u>17,345,346</u>	<u>54</u>	<u>15,305,503</u>	<u>53</u>
	Equity attributable to owners of the Corporation				
3110	Common stock	2,979,639	9	2,979,639	10
3200	Capital surplus	728,084	2	727,977	3
	Retained earnings				
3310	Legal reserve	1,841,652	6	1,640,637	6
3320	Special reserve	737,099	2	572,198	2
3350	Unappropriated earnings	5,668,283	18	5,577,139	19
3400	Other equity interest	( 170,388 )	-	( 737,099 )	( 3 )
31XX	Total equity attributable to owners of the Corporation	<u>11,784,369</u>	<u>37</u>	<u>10,760,491</u>	<u>37</u>
36XX	Non-controlling interests	<u>2,703,831</u>	<u>9</u>	<u>2,869,868</u>	<u>10</u>
3XXX	Total equity	<u>14,488,200</u>	<u>46</u>	<u>13,630,359</u>	<u>47</u>
	Total liabilities and equity	<u>\$ 31,833,546</u>	<u>100</u>	<u>\$ 28,935,862</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

January 1 to December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Except Earnings per Share)

Code		2022		2021	
		Amount	%	Amount	%
4000	Net sale (Notes 4 and 28)	\$ 16,270,386	100	\$ 18,287,786	100
5000	Cost of operation (Notes 4, 11, 23, 24 and 30)	<u>10,679,805</u>	<u>65</u>	<u>11,359,265</u>	<u>62</u>
5950	Gross profit	<u>5,590,581</u>	<u>35</u>	<u>6,928,521</u>	<u>38</u>
	Operating expense (Notes 24 and 30)				
6100	Sales and marketing expenses	1,449,409	9	1,447,989	8
6200	General and administrative expenses	980,204	6	925,779	5
6300	Research and development expenses	543,759	3	558,247	3
6450	Expected credit loss (gain) (Note 10)	( <u>97,539</u> )	<u>-</u>	<u>18,694</u>	<u>-</u>
6000	Total operating expense	<u>2,875,833</u>	<u>18</u>	<u>2,950,709</u>	<u>16</u>
6900	Profit from operations	<u>2,714,748</u>	<u>17</u>	<u>3,977,812</u>	<u>22</u>
	Non-operating income and expense				
7010	Government grant (Note 4)	27,230	-	60,780	-
7100	Interest income (Note 4)	47,289	-	88,745	1
7190	Other income (Note 4)	95,080	1	86,570	-
7510	Financial costs (Notes 4, 24 and 30)	( 289,752 )	( 2 )	( 137,897 )	( 1 )
7590	Other expenses (Note 4 and 24)	( 135,474 )	( 1 )	( 31,638 )	-
7630	Net foreign exchange profit (loss) (Note 4 and 24)	<u>111,513</u>	<u>1</u>	( <u>17,475</u> )	<u>-</u>
7000	Total non-operating income and expense	( <u>144,114</u> )	( <u>1</u> )	<u>49,085</u>	<u>-</u>
7900	Profit before income tax	2,570,634	16	4,026,897	22

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Code		2022		2021	
		Amount	%	Amount	%
7950	Income tax expense (Notes 4 and 25)	<u>781,853</u>	<u>5</u>	<u>1,360,847</u>	<u>7</u>
8200	Net Profit for the Year	<u>1,788,781</u>	<u>11</u>	<u>2,666,050</u>	<u>15</u>
	Other comprehensive income (Note 4)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 20)	59,159	-	21,231	-
8316	Unrealized gain on investments in equity instruments at fair value through other comprehensive income	4,178	-	-	-
8349	and income tax related to items that will not be reclassified (Notes 25)	( <u>8,405</u> )	<u>-</u>	( <u>2,067</u> )	<u>-</u>
		<u>54,932</u>	<u>-</u>	<u>19,164</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating foreign operations	645,071	4	( 254,766 )	( 1 )
8399	and income tax related to items likely to be reclassified to profit or loss (Notes 25)	( <u>134,259</u> )	( <u>1</u> )	<u>41,225</u>	<u>-</u>
		<u>510,812</u>	<u>3</u>	( <u>213,541</u> )	( <u>1</u> )
8300	Other comprehensive income for the period	<u>565,744</u>	<u>3</u>	( <u>194,377</u> )	( <u>1</u> )
8500	Total comprehensive income for the year	<u>\$ 2,354,525</u>	<u>14</u>	<u>\$ 2,471,673</u>	<u>14</u>
	Net income attributable to:				
8610	Owners of the Corporation	\$ 1,520,410	9	\$ 2,059,783	11
8620	Non-controlling interests	<u>268,371</u>	<u>2</u>	<u>606,267</u>	<u>4</u>
8600		<u>\$ 1,788,781</u>	<u>11</u>	<u>\$ 2,666,050</u>	<u>15</u>

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Code		2022		2021	
		Amount	%	Amount	%
	Total comprehensive income attributable to:				
8710	Owners of the Corporation	\$ 2,104,083	13	\$ 1,908,774	11
8720	Non-controlling interests	<u>250,442</u>	<u>1</u>	<u>562,899</u>	<u>3</u>
8700		<u>\$ 2,354,525</u>	<u>14</u>	<u>\$ 2,471,673</u>	<u>14</u>
	Earnings per share (Note 26)				
9750	Basic	<u>\$ 5.10</u>		<u>\$ 6.91</u>	
9850	Diluted	<u>\$ 5.09</u>		<u>\$ 6.90</u>	

The accompanying notes are an integral part of the consolidated financial statements.

President: Sen-Mei Cheng    General Manager: Cheng-Wei Cheng    Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED AND SUBSIDIARIES  
Consolidated Statements of Changes in Equity  
January 1 to December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent Company (Note 4)							Other equity items (Note 8 and 22)				
		Capital reserve (Note 22)				Retained Earnings (Notes 8 and 22)			Exchange Differences on Translating Foreign Operations	Unrealized Profit or Loss of Financial Assets at FVTOCI	Total	Non-Controlling Interests	Total Equity
Code		Common Stock (Note 22)	Premium from Stock	Difference Between Consideration Received or Paid and the Carrying Amount of the Subsidiaries' Net Assets During Disposal or Acquisition	Donation Assets	Legal Reserve	Special Reserve	Unappropriated Earnings					
A1	Balance at January 1, 2021	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 181	\$ 1,487,627	\$ 448,343	\$ 4,737,748	( \$ 542,523 )	( \$ 29,675 )	\$ 9,809,085	\$ 2,644,903	\$ 12,453,988
C3	Donation from shareholders	-	-	-	51	-	-	-	-	-	51	-	51
B1	Appropriation of 2020 earnings	-	-	-	-	153,010	-	( 153,010 )	-	-	-	-	-
B3	Legal reserve	-	-	-	-	-	123,855	( 123,855 )	-	-	-	-	-
B5	Special reserve	-	-	-	-	-	-	( 893,892 )	-	-	( 893,892 )	-	( 893,892 )
B5	Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	-	( 63,527 )	-	-	( 63,527 )	( 185,261 )	( 248,788 )
O1	Cash dividends distributed by the subsidiaries	-	-	-	-	-	-	-	-	-	-	( 152,673 )	( 152,673 )
D1	Net profit for the year ended December 31, 2021	-	-	-	-	-	-	2,059,783	-	-	2,059,783	606,267	2,666,050
D3	Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	13,892	( 164,901 )	-	( 151,009 )	( 43,368 )	( 194,377 )
D5	Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	2,073,675	( 164,901 )	-	1,908,774	562,899	2,471,673
Z1	Balance at December 31, 2021	2,979,639	615,831	111,914	232	1,640,637	572,198	5,577,139	( 707,424 )	( 29,675 )	10,760,491	2,869,868	13,630,359
C3	Donation from shareholders	-	-	-	107	-	-	-	-	-	107	-	107
B1	Appropriation of 2021 earnings	-	-	-	-	201,015	-	( 201,015 )	-	-	-	-	-
B3	Legal reserve	-	-	-	-	-	164,901	( 164,901 )	-	-	-	-	-
B5	Special reserve	-	-	-	-	-	-	( 1,042,874 )	-	-	( 1,042,874 )	-	( 1,042,874 )
B5	Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	-	( 37,438 )	-	-	( 37,438 )	( 35,115 )	( 72,553 )
O1	Cash dividend for shareholders of the subsidiaries	-	-	-	-	-	-	-	-	-	-	( 381,364 )	( 381,364 )
D1	Net income for the year ended December 31, 2022	-	-	-	-	-	-	1,520,410	-	-	1,520,410	268,371	1,788,781
D3	Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	42,459	537,036	4,178	583,673	( 17,929 )	565,744
D5	Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	1,562,869	537,036	4,178	2,104,083	250,442	2,354,525
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	( 25,497 )	-	25,497	-	-	-
Z1	Balance at December 31, 2022	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 339	\$ 1,841,652	\$ 737,099	\$ 5,668,283	( \$ 170,388 )	\$ -	\$ 11,784,369	\$ 2,703,831	\$ 14,488,200

The accompanying notes are an integral part of the consolidated financial statements.

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang



## TAIWAN PAIHO LIMITED AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

January 1 to December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code		2022	2021
	Cash flows from operating activities		
A10000	Income before income tax	\$ 2,570,634	\$ 4,026,897
A20010	Incomes and expense items:		
A20100	Depreciation expense	1,253,549	1,280,549
A20200	Amortization expense	1,452	831
A20300	Expected credit loss recognized (gain on reversal)	( 97,539)	18,694
A20900	Finance costs	289,752	137,897
A21200	Interest income	( 47,289)	( 88,745)
A22500	Loss from disposal of property, plant and equipment	8,207	300
A23700	Impairment loss recognized on non-financial assets	316,410	137,189
A24100	Unrealized foreign currency exchange loss, net	( 35,525)	352
A29900	Loss from disposal of subsidiaries	7,984	-
A29900	Others	( 700)	( 55,523)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily classified as at fair value through profit or loss (FVTPL)	( 144,616)	640,936
A31130	Notes receivable	85,845	37,329
A31150	Trade receivables	1,020,435	( 439,394)
A31180	Other receivables	229,838	117,076
A31200	Inventories – manufacturing	( 4,649)	( 985,518)
A31200	Inventories – construction	270,734	275,049
A31240	Other current assets	( 198,014)	( 25,233)
A32125	Contractual liabilities	( 965,771)	( 2,169,361)
A32130	Notes payable	( 28,027)	43,664
A32150	Trade payables	( 347,314)	278,168
A32180	Other payables	( 370,726)	197,597
A32210	Deferred income	48,728	-
A32230	Other current liabilities	( 37,236)	( 8,340)
A32240	Net defined benefit liabilities	( 8,605)	4,256
A33000	Cash generated from operations	3,817,557	3,424,670
A33100	Interest received	47,289	88,745
A33300	Interest paid	( 258,767)	( 142,668)
A33500	Income tax paid	( 538,231)	( 1,081,942)
AAAA	Net cash generated from operating activities	<u>3,067,848</u>	<u>2,288,805</u>

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Code		2022	2021
	Cash flow from investment activities		
B00020	Disposal of financial assets at fair value through other comprehensive income	4,178	-
B00040	Purchase of financial assets at amortized cost	( 1,120,731 )	( 2,664,317 )
B00050	Proceeds from disposal of financial assets at amortized cost	1,350,822	3,008,166
B02300	Net cash inflow from disposal of subsidiaries (Note 27)	31,134	-
B02700	Payments for property, plant and equipment	( 3,286,677 )	( 840,771 )
B02800	Proceeds from disposal of property, plant and equipment	11,709	12,628
B03700	Decrease (increase) in refundable deposits	( 3,032 )	( 28,080 )
B04500	Procurement of intangible assets	( 11,672 )	( 2,356 )
B05350	Payments for right-of-use assets	( 3,720 )	-
B06700	Decrease (increase) in other non-current assets	( 13,462 )	7,619
B07100	Increase of prepayment for machinery and equipment	( 413,202 )	( 622,924 )
BBBB	Net cash used in investing activities	( 3,454,653 )	( 1,130,035 )
	Cash flow from financing activities		
C00100	Net decrease (increase) in short-term borrowings	3,327,327	( 1,030,090 )
C01600	Proceeds from long-term borrowings	2,975,600	5,757,359
C01700	Repayment of long-term borrowings	( 3,859,573 )	( 6,834,378 )
C03000	Proceeds of guarantee deposits returned	( 1,213 )	( 3,050 )
C04020	Repayment of the principal portion of lease liabilities	( 27,322 )	( 62,458 )
C04500	Distribution of cash dividend	( 1,042,874 )	( 893,892 )
C05700	Income taxes paid on disposal of subsidiary	( 72,553 )	( 264,011 )
C05800	Dividends paid to non-controlling interests	( 381,364 )	( 152,673 )
C09900	Overdue dividend	107	51
CCCC	Net cash generated from (used in) financing activities	918,135	( 3,483,142 )
DDDD	Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	( 334,537 )	( 15,184 )
EEEE	Net increase (decrease) in cash and cash equivalents	196,793	( 2,339,556 )
E00100	Cash and cash equivalents at the beginning of period	3,531,290	5,870,846
E00200	Cash and cash equivalents at the end of period	\$ 3,728,083	\$ 3,531,290

The accompanying notes are an integral part of the consolidated financial statements.

President: Sen-Mei Cheng    General Manager: Cheng-Wei Cheng    Accounting Supervisor: Yao-Da Huang

## **Independent Auditors' Report**

To: TAIWAN PAIHO LIMITED

### **Audit Opinion**

We have audited the accompanying parent only financial statements of Taiwan Paiho Limited (the "Company"), which comprise the parent only balance sheets as of December 31, 2022 and 2021, and the parent only income statement, the parent statement of cash flows for the years then ended, and notes to the parent financial statements, (including a summary of significant accounting policies).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Only Financial Statements section of our reports. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent only financial statements for the year ended December 31, 2022. These matters are addressed in the context of our audit of the parent only financial statements as a whole and informing our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter for the parent only financial statements for the year ended December 31, 2022 is stated as follows:

### Recognition of sales revenue

The main business items of Taiwan Paiho Limited include the manufacturing and sale of touch fasteners, webbing shoelaces, elastic, and relevant peripheral materials as well as the sale of residential buildings constructed by construction contractors. Among all, the revenue from the sale of webbing shoelaces significantly influences the operating revenue and profit of the Group. Therefore, we include the above-mentioned sales revenue as a key audit matter. Please refer to Note 4 to the Parent Only Financial Statements.

We have conducted procedures related to the matters included the following, among others:

1. We understood the design and implementation of internal controls and procedures for recognizing the sales revenue, and sampled and verified the appropriateness of the original orders approved.
2. We picked samples from the statement of webbing shoelaces sales, compared to relevant documents, including order form, shipping order, and sales invoice, and checked the payment collection to verify the authenticity of revenue recognition.

### **Responsibilities of Management and Those Charged with Governance for the Parent Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operation, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Parent Only Financial Statements.**

Our objective is to obtain reasonable assurance about whether the parent only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent only financial statement.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We have also conducted the following work:

1. Identify and assess the risk of material misstatement of the parent only financial statement whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent only financial statements, (including the disclosures), and whether the parent only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent only financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identify during our audit).

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may responsibly be thought to bear on our independence (including related applicable safeguard).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent only financial statements for the year ended December 31, 2022 and therefore the audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche

Taiwan

Shu-Ching Chiang CPA

Ting-Chien Su CPA

March 24, 2023

#### Notice to Readers

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

## TAIWAN PAIHO LIMITED

## Balance Sheets

December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code	Asset	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 and 6)	\$ 720,953	5	\$ 231,187	2
1136	Financial assets measured at amortized cost – current (Notes 4 and 7)	230,769	2	167,942	1
1150	Notes receivable (Note 4)	56,631	-	111,464	1
1170	Trade receivables (Notes 4, 8 and 23)	395,367	3	655,127	4
1200	Other receivable (Note 23)	8,133	-	14,071	-
1310	Inventories (Notes 4 and 9)	496,602	3	552,676	4
1470	Other current assets (Note 13)	41,790	-	66,443	-
11XX	Total current assets	<u>1,950,245</u>	<u>13</u>	<u>1,798,910</u>	<u>12</u>
	Non-current assets				
1535	Financial assets measured at amortized cost – non-current (Notes 4, 7 and 24)	2,910	-	269,603	2
1550	Investments accounted for using the equity method (Notes 4 and 10)	10,260,945	68	9,810,665	67
1600	Property, plant and equipment (Notes 4, 11, 23 and 24)	2,777,455	18	2,513,091	17
1755	Right-of-use assets (Notes 4 and 12)	30,613	-	31,376	-
1780	Other intangible assets	1,017	-	1,091	-
1840	Deferred tax assets (Notes 4 and 19)	60,273	-	204,415	1
1915	Prepayment for machinery and equipment	81,593	1	83,664	1
1990	Other non-current assets (Note 13)	36,501	-	20,566	-
15XX	Total non-current assets	<u>13,251,307</u>	<u>87</u>	<u>12,934,471</u>	<u>88</u>
1XXX	Total assets	<u>\$ 15,201,552</u>	<u>100</u>	<u>\$ 14,733,381</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2102	Short-term borrowings (Note 14)	\$ -	-	\$ 100,000	1
2150	Notes payable (Note 14)	76,838	-	104,865	1
2170	Trade payables (Note 23)	91,000	1	161,408	1
2200	Other payables (Note 15 and 23)	377,470	2	408,096	3
2230	Current tax liabilities (Notes 4 and 19)	315,141	2	207,404	1
2280	Lease liabilities – current (Notes 4, 12 and 23)	3,867	-	4,122	-
2320	Long-term liabilities, current portion	898,388	6	-	-
2399	Other current liabilities (Note 23)	11,473	-	28,694	-
21XX	Total current liabilities	<u>1,774,177</u>	<u>11</u>	<u>1,014,589</u>	<u>7</u>
	Non-current liabilities				
2540	Long-term borrowings (Notes 14 and 24)	200,000	1	1,527,937	10
2570	Deferred tax liabilities (Notes 4 and 19)	1,353,050	9	1,276,042	9
2580	Lease liabilities – non-current (Notes 4, 12 and 23)	27,319	-	27,673	-
2640	Net defined benefit liabilities – non-current (Notes 4 and 16)	62,607	1	126,619	1
2645	Guarantee deposits received	30	-	30	-
25XX	Total non-current liabilities	<u>1,643,006</u>	<u>11</u>	<u>2,958,301</u>	<u>20</u>
2XXX	Total liabilities	<u>3,417,183</u>	<u>22</u>	<u>3,972,890</u>	<u>27</u>
	Equity				
3110	Common stock	2,979,639	20	2,979,639	20
3200	Capital surplus	728,084	5	727,977	5
	Retained earnings				
3310	Legal reserve	1,841,652	12	1,640,637	11
3320	Special reserve	737,099	5	572,198	4
3350	Unappropriated earnings	5,668,283	37	5,577,139	38
3400	Other equity interest	( 170,388 )	( 1 )	( 737,099 )	( 5 )
3XXX	Total equity	<u>11,784,369</u>	<u>78</u>	<u>10,760,491</u>	<u>73</u>
	Total liabilities and equity	<u>\$ 15,201,552</u>	<u>100</u>	<u>\$ 14,733,381</u>	<u>100</u>

The accompanying notes are an integral part of the parent only financial statements.

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

TAIWAN PAIHO LIMITED

Statements of Comprehensive Income

January 1 to December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars, Except Earnings per Share)

Code		2022		2021	
		Amount	%	Amount	%
4000	Net sale (Notes 4 and 23)	\$ 3,612,336	100	\$ 4,285,592	100
5000	Cost of operation (Notes 4, 9, 18 and 23)	<u>2,718,145</u>	<u>75</u>	<u>2,955,501</u>	<u>69</u>
5900	Gross profit	894,191	25	1,330,091	31
5910	Realized Gain on Transactions with Subsidiaries and Associate (Note 4)	<u>17,544</u>	<u>-</u>	<u>9,289</u>	<u>-</u>
5950	Realized Gross Profit	<u>911,735</u>	<u>25</u>	<u>1,339,380</u>	<u>31</u>
	Operation expenses (Notes 8, 18 and 23)				
6100	Sales and marketing expenses	332,534	9	326,460	8
6200	General and administrative expenses	130,087	4	126,349	3
6300	Research and development expenses	126,702	3	144,719	3
6450	Expected credit loss (gain)	( <u>6,685</u> )	<u>-</u>	( <u>1,408</u> )	<u>-</u>
6000	Total operating expense	<u>582,638</u>	<u>16</u>	<u>596,120</u>	<u>14</u>
6900	Profit from operations	<u>329,097</u>	<u>9</u>	<u>743,260</u>	<u>17</u>
	Non-operating income and expense				
7070	Share of profit or loss of subsidiaries and associates accounted for using the equity method (Note 4)	1,457,110	40	1,846,416	43
7100	Interest income (Note 4)	4,886	-	429	-
7190	Other income (Note 23)	49,551	1	35,046	1

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Code		2022		2021	
		Amount	%	Amount	%
7230	Net foreign exchange profit (loss) (Notes 4 and 18)	107,151	3	( 37,029 )	( 1 )
7510	Finance costs (Notes 4, 18 and 23)	( 10,137 )	-	( 14,567 )	-
7590	Other expenses (Note 18)	( 8,855 )	-	( 7,388 )	-
7000	Total non-operating income and expense	<u>1,599,706</u>	<u>44</u>	<u>1,822,907</u>	<u>43</u>
7900	Profit before income tax	1,928,803	53	2,566,167	60
7950	Income tax expense (Notes 4 and 19)	<u>408,393</u>	<u>11</u>	<u>506,384</u>	<u>12</u>
8200	Net income	<u>1,520,410</u>	<u>42</u>	<u>2,059,783</u>	<u>48</u>
	Other comprehensive income (Note 4)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8311	Remeasurement of defined benefit plans (Note 16)	42,020	1	10,338	1
8330	Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	13,022	-	5,621	-
8349	Income tax relating to items that will not be reclassified subsequently to loss (Notes 19)	( 8,405 )	-	( 2,067 )	-
		<u>46,637</u>	<u>1</u>	<u>13,892</u>	<u>1</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating foreign operations	671,295	19	( 206,126 )	( 5 )
8399	Income tax relating to items that may be reclassified subsequently to profit or loss (Note 19)	( 134,259 )	( 4 )	41,225	1
		<u>537,036</u>	<u>15</u>	<u>164,901</u>	<u>4</u>
8300	Other comprehensive income or loss for the period (net of income tax)	<u>583,673</u>	<u>16</u>	<u>151,009</u>	<u>3</u>

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Code		2022		2021	
		Amount	%	Amount	%
8500	Total comprehensive income for the year	<u>\$ 2,104,083</u>	<u>58</u>	<u>\$ 1,908,774</u>	<u>45</u>
	Earnings per share (Note 20)				
9750	Basic	<u>\$ 5.10</u>		<u>\$ 6.91</u>	
9850	Diluted	<u>\$ 5.09</u>		<u>\$ 6.90</u>	

The accompanying notes are an integral part of the parent only financial statements.

President: Sen-Mei Cheng    General Manager: Cheng-Wei Cheng    Accounting Supervisor: Yao-Da Huang

## TAIWAN PAIHO LIMITED

## Statements of Changes in Equity

January 1 to December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

		Capital Surplus (Note 17)				Other Equity Items (Notes 4 and 17)					
		Difference Between Consideration Received or Paid and the Carrying Amount of the Subsidiaries' Net Assets During Actual Disposal or Acquisition				Retained Earnings (Note 17)			Exchange Differences on Translating Foreign Operations	Unrealized Profit or loss of Financial Assets Measured at Fair Value through Other Comprehensive Income	Total Equity
Code		Common Stock (Note 17)	Premium from Stock		Donation Assets	Legal Reserve	Special Reserve	Unappropriated Earnings			
A1	Balance at January 1, 2021	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 181	\$ 1,487,627	\$ 448,343	\$ 4,737,748	( \$ 542,523 )	( \$ 29,675 )	\$ 9,809,085
C3	Donation from shareholders	-	-	-	51	-	-	-	-	-	51
B1	Appropriation of 2020 earnings										
B3	Legal reserve	-	-	-	-	153,010	-	( 153,010 )	-	-	-
B5	Special reserve	-	-	-	-	-	123,855	( 123,855 )	-	-	-
	Cash dividends	-	-	-	-	-	-	( 893,892 )	-	-	( 893,892 )
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	-	( 63,527 )	-	-	( 63,527 )
D1	Net profit for the year ended December 31, 2021	-	-	-	-	-	-	2,059,783	-	-	2,059,783
D3	Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	13,892	( 164,901 )	-	( 151,009 )
D5	Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	-	2,073,675	( 164,901 )	-	1,908,774
Z1	Balance at December 31, 2021	2,979,639	615,831	111,914	232	1,640,637	572,198	5,577,139	( 707,424 )	( 29,675 )	10,760,491
C3	Donation from shareholders	-	-	-	107	-	-	-	-	-	107
B1	Appropriation of 2021 earnings										
B3	Legal reserve	-	-	-	-	201,015	-	( 201,015 )	-	-	-
B5	Special reserve	-	-	-	-	-	164,901	( 164,901 )	-	-	-
	Cash dividends	-	-	-	-	-	-	( 1,042,874 )	-	-	( 1,042,874 )
M7	Changes in ownership interests in subsidiaries	-	-	-	-	-	-	( 37,438 )	-	-	( 37,438 )
D1	Net profit for the year ended December 31, 2022	-	-	-	-	-	-	1,520,410	-	-	1,520,410
D3	Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	42,459	537,036	4,178	583,673
D5	Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	-	1,562,869	537,036	4,178	2,104,083
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	( 25,497 )	-	25,497	-
Z1	Balance at December 31, 2022	\$ 2,979,639	\$ 615,831	\$ 111,914	\$ 339	\$ 1,841,652	\$ 737,099	\$ 5,668,283	( \$ 170,388 )	\$ -	\$ 11,784,369

The accompanying notes are an integral part of the parent only financial statements.

President: Sen-Mei Cheng

General Manager: Cheng-Wei Cheng

Accounting Supervisor: Yao-Da Huang

## TAIWAN PAIHO LIMITED

## Statements of Cash Flows

January 1 to December 31, 2022 and 2021

(In Thousands of New Taiwan Dollars)

Code		2022	2021
	Cash flows from operating activities		
A10000	Income before income tax	\$1,928,803	\$2,566,167
A20010	Adjustments for:		
A20100	Depreciation expense	211,650	237,238
A20200	Amortization expense	514	298
A20300	Expected credit loss reversed	( 6,685)	( 1,408)
A20900	Finance costs	10,137	14,567
A21200	Interest income	( 4,886)	( 429)
A22400	Share of profit or loss of subsidiaries and associates accounted for using the equity method	( 1,457,110)	( 1,846,416)
A22500	Loss from disposal of property, plant and equipment	-	91
A23700	Impairment loss recognized on non-financial assets	27,649	38,311
A24000	Realized gain on the transactions with subsidiaries and associates	( 17,544)	( 9,289)
A24100	Unrealized foreign currency exchange loss, net	1,494	214
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	54,833	38,317
A31150	Trade receivables	264,884	( 30,772)
A31180	Other receivables	5,938	( 3,633)
A31200	Inventories	28,426	( 207,776)
A31240	Other current assets	24,653	( 19,907)
A32130	Notes payable	( 28,027)	43,664
A32150	Trade payables	( 70,408)	( 15,575)
A32180	Other payables	( 29,175)	40,301
A32230	Other current liabilities	( 17,154)	( 31,529)
A32240	Net defined benefit liabilities	( 21,992)	( 10,462)
A33000	Cash generated from operations	906,000	801,972
A33100	Interest received	4,886	429
A33200	Dividend received	1,185,206	705,711
A33300	Interest paid	( 10,241)	( 14,512)
A33500	Income tax paid	( 222,171)	( 304,239)
AAAA	Net cash generated from operating activities	<u>1,863,680</u>	<u>1,189,361</u>

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Code		2022	2021
	Cash flow from investment activities		
B00040	Purchase of financial assets at amortized cost	(\$ 230,769)	(\$ 434,643)
B00050	Proceeds from disposal of financial assets at amortized cost	434,635	331,392
B02400	Proceeds from decapitalization of investees accounted for using the equity method	486,047	537,505
B02700	Payments for property, plant and equipment	( 409,909)	( 204,244)
B02800	Proceeds from disposal of property, plant and equipment	-	438
B03700	Increase in refundable deposits	( 15,935)	( 513)
B04500	Acquisition of Intangible Assets	( 440)	( 1,200)
B07100	Increase in prepayment for machinery and equipment	( <u>59,981</u> )	( <u>54,890</u> )
BBBB	Net cash generated from investment activities	<u>203,648</u>	<u>173,845</u>
	Cash flow from financing activities		
C00100	Net decrease in short-term borrowings	( 100,000)	( 450,000)
C01600	Proceeds from long-term borrowings	2,000,000	1,427,937
C01700	Repayments of long-term borrowings	( 2,429,549)	( 1,406,220)
C04020	Repayment of the principal portion of lease liabilities	( 5,246)	( 4,853)
C04500	Distribution of cash dividend	( 1,042,874)	( 893,892)
C09900	Overdue dividend	<u>107</u>	<u>51</u>
CCCC	Net cash used in financing activities	( <u>1,577,562</u> )	( <u>1,326,977</u> )
EEEE	Net Increase in Cash and Cash Equivalents	489,766	36,229
E00100	Cash and Cash Equivalents at the Beginning of the Year	<u>231,187</u>	<u>194,958</u>
E00200	Cash and Cash Equivalents at the End of the Year	<u>\$ 720,953</u>	<u>\$ 231,187</u>

The accompanying notes are an integral part of the parent only financial statements.

President: Sen-Mei Cheng    General Manager: Cheng-Wei Cheng    Accounting Supervisor: Yao-Da Huang

### The List of Candidates for Directors (Including Independent Directors)

As of the closing date of the Annual Shareholders' Meeting : April 9, 2023

Items	Name	Selected Education & Experiences	Currently Holding the Position of the Company and Other Companies	Current Shareholding	Served as Independent Director for Three Terms / Explanations
Director	Sen-Mei Cheng	<ul style="list-style-type: none"> <li>• Pei-Ying Elementary School.</li> <li>• Director of Business, Song Dian Vehicle Co., Ltd.</li> <li>• General Manager of Taiwan Paiho Limited.</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman and CEO of Taiwan Paiho Limited</li> <li>• Director of Dongguan Paiho Business Service Co., Ltd.</li> <li>• Director of Paiho Int'l Limited.</li> <li>• Director of He Mei Xing Ye Company Ltd.</li> <li>• Director of Vietnam Paiho Limited.</li> <li>• Director of Braits Company Limited.</li> <li>• Director of Wuxi Paisen Commerce Co., Ltd.</li> <li>• Director of Zhong Yuan Xing Ye Company Ltd.</li> <li>• Director of PT. Paiho Indonesia.</li> </ul>	4,943,976	Not Applicable
Director	Representative of Everise Investment Co., Ltd. : Cheng-Wei Cheng	<ul style="list-style-type: none"> <li>• Department of Statistics, Macquarie University.</li> <li>• Vice General Manager of President Office, Taiwan Paiho Limited.</li> </ul>	<ul style="list-style-type: none"> <li>• Institutional Representative and General Manager, Taiwan Paiho Limited.</li> <li>• Director of Paiho North America Corporation.</li> <li>• Director of Braits Company Limited.</li> </ul>	10,757,856	Not Applicable
Director	Shui-Jin Chen	<ul style="list-style-type: none"> <li>• Department of Accounting, Soochow University.</li> <li>• Master, Graduate School of Business Administration, National Chung Cheng University.</li> <li>• CPA, Deloitte &amp; Touche.</li> </ul>	<ul style="list-style-type: none"> <li>• Accountant of Yuan-Sheng Certified Public Accountants.</li> <li>• Independent director and member of Remuneration Committee, Merida Industry Co., Ltd.</li> <li>• Independent director and</li> </ul>	0	Not Applicable

Items	Name	Selected Education & Experiences	Currently Holding the Position of the Company and Other Companies	Current Shareholding	Served as Independent Director for Three Terms / Explanations
			<ul style="list-style-type: none"> <li>member of Remuneration Committee, Cheng Shin Rubber Ind., Co., Ltd.</li> <li>• Independent director and member of Remuneration Committee, San Neng Group Holdings Co., Ltd.</li> <li>• Independent director and member of Remuneration Committee, Acelon chemicals &amp; Fiber Corporation</li> <li>• Supervisor of Linco Technology Co., Ltd.</li> <li>• Supervisor of Buffalo Machinery Co., Ltd.</li> </ul>		
Director	Cheng-Tsung Cheng	<ul style="list-style-type: none"> <li>• Department of Japanese, Macquarie University.</li> </ul>	<ul style="list-style-type: none"> <li>• Executive Vice General Manager, Sales Department, Taiwan Paiho Limited.</li> <li>• Chairman of Vietnam Paiho Limited.</li> <li>• Chairman of PT. Paiho Indonesia.</li> <li>• Chairman of Spring Rich Limited,</li> <li>• Director of Wuxi Paisen Commerce Co., Ltd.</li> <li>• Director of Paiho Int'l Limited.</li> <li>• Director of Paiho Holdings Limited.</li> <li>• Director of Zhong Yuan Xing Ye Company Ltd.</li> <li>• Director of He Mei Xing Ye Company Ltd.</li> </ul>	5,868,424	Not Applicable
Director	Yi-Lun Cheng	<ul style="list-style-type: none"> <li>• Department of Accounting, Macquarie University.</li> <li>• Production Specialist of Finance Department,</li> </ul>	<ul style="list-style-type: none"> <li>• Manager of Finance Department, Taiwan Paiho Limited.</li> <li>• Director of PT.</li> </ul>	2,593,021	Not Applicable

Items	Name	Selected Education & Experiences	Currently Holding the Position of the Company and Other Companies	Current Shareholding	Served as Independent Director for Three Terms / Explanations
		Taiwan Paiho Limited.	Paiho Indonesia. • Director of Vietnam Paiho Limited.		
Director	Kuei-Chu Yeh	<ul style="list-style-type: none"> <li>• Master of International Business Administration, National Changhua University of Education.</li> <li>• Production Specialist, the Second Credit Cooperative Association of Changhua.</li> </ul>	<ul style="list-style-type: none"> <li>• Vice General Manager, President Office, Taiwan Paiho Limited.</li> <li>• Director of San Ho Xing Co., Ltd.</li> <li>• Supervisor of PT. Paiho Indonesia.</li> <li>• Member of Remuneration Committee, Honmyue Enterprise Co., Ltd.</li> </ul>	180,588	Not Applicable
Independent Director	Chia-Yu Chen	<ul style="list-style-type: none"> <li>• Bachelor of Accounting, Providence University.</li> <li>• Master of Finance Institute, National Chiao Tung University.</li> <li>• Audit Team In-charge, PwC Taiwan.</li> <li>• Director of Audit, Taiwan Paiho Limited.</li> <li>• Certified Professional in Corporate Sustainability Management.</li> </ul>	<ul style="list-style-type: none"> <li>• Manager of Finance Department, Elite Semiconductor Memory Technology Inc.</li> <li>• Independent director, member of Remuneration Committee, and member of Corporate Sustainability Committee, Taiwan Paiho Limited.</li> </ul>	0	No
Independent Director	Yin-Chieh Hsu	<ul style="list-style-type: none"> <li>• Department of Law, National Taipei University.</li> <li>• Master of Management EMBA, National Taiwan University School.</li> </ul>	<ul style="list-style-type: none"> <li>• President of HC &amp; Partners.</li> <li>• Independent director and member of Remuneration Committee, Onano Industrial Corp.</li> <li>• Independent director and member of Remuneration Committee, Luo Lih-Fen Holding Co., Ltd.</li> <li>• Independent director and member of Remuneration</li> </ul>	0	No



Items	Name	Selected Education & Experiences	Currently Holding the Position of the Company and Other Companies	Current Shareholding	Served as Independent Director for Three Terms / Explanations
			Committee, Allied Biotech Corp • Director of EASYCARD Corporation. • Supervisor of Liuyu Cultural and Create Co., Ltd. • Director of LeadsunFox Greenergy Investment Co., Ltd.		
Independent Director	Chun-Chieh Tseng	• Master of Accounting, Tamkang University. • Supervisor of Taiwan Paiho Limited.	• CPA, Hui Yi Certified Public Accountant. • Supervisor of Royal Precision Tools Corporation. • Director of Ichang Yee Steel Co., Ltd. • Adjunct Lecturer, National Taichung University of Science and Technology	0	No
Independent Director	Jui-Lin Lo	• Bachelor of Accounting, Chung Yuan Christian University. • CPA, Deloitte & Touche.	• CPA, Hsu Cheng Certified Public Accountant. • Independent director, member of Remuneration Committee, and member of Corporate Sustainability Committee, Taiwan Paiho Limited. • Independent director and member of Remuneration Committee, Giant Manufacturing Co., Ltd. • Independent director and member of Remuneration Committee, WFE Technology Corp.	0	No

### Comparison Table of Amendments to “Rules and Procedures for Shareholders’ Meetings”

Article No.	Amended Version	Original Version	Explanations
Article 1	<p>Item 1~item 2: Omitted.</p> <p><b><u>Unless otherwise provided in the "Regulations Governing the Administration of Shareholder Services of Public Companies", a company that will convene a shareholders' meeting with video conferencing shall expressly provide for such meetings in its Articles of Incorporation, and obtain a resolution of its board of directors meeting with approval by a majority vote of the directors attended by two-thirds or more of the directors.</u></b></p> <p>Changes to the means of holding the shareholders' meeting shall be subject to a resolution of the board of directors, and before the notice of the shareholders' meeting is dispatched.</p>	<p>Item 1~item 2: Omitted.</p> <p>Changes to the means of holding the shareholders' meeting shall be subject to a resolution of the board of directors, and before the notice of the shareholders' meeting is dispatched.</p>	<p>Revised, in accordance with Article 3 under “Sample Template for XXX Co., Ltd. Rules of Procedures of Shareholders’ Meetings.”</p>
Article 2	<p>Item 1~item 2: Omitted.</p> <p>Election or dismissal of directors or supervisors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185,</p>	<p>Item 1~item 2: Omitted.</p> <p>Election or dismissal of directors, amendments to the Articles of Incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the company, or</p>	<p>Revised, in accordance with Article 3 under “Sample Template for XXX Co., Ltd. Rules of Procedures of Shareholders’ Meetings.”</p>

Article No.	Amended Version	Original Version	Explanations
	<p>paragraph 1 of the “Company Act,” , <b><u>Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.</u></b></p> <p>Item 4~item 7: Omitted.</p>	<p>any matter under Article 185, paragraph 1 of the “Company Act,” <b><u>or others in accordance to relevant regulations or articles of incorporation shall be itemized in the causes and subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as an extemporary motions.</u></b></p> <p>Item 4~item 7: Omitted.</p>	
Article 3	<p>Item 1~item 8: Omitted.</p> <p>To convene a virtual shareholders’ meeting, the Company shall include the follow particulars in the shareholders’ meeting notice:</p> <ol style="list-style-type: none"> <li>1. Omitted.</li> <li>2. Omitted.</li> <li>3. To convene a virtual-only shareholders’ meeting, appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders’ meeting online shall be specified. <b><u>Unless under a circumstance set forth in Article 44-9-6, the Regulations Governing the Administration of Shareholder Service, shall at least provide shareholders of network connection equipment and necessary assistance, also specifies the application period with the Company and other related</u></b></li> </ol>	<p>Item 1~item 8: Omitted.</p> <p>To convene a virtual shareholders’ meeting, the Company shall include the follow particulars in the shareholders’ meeting notice:</p> <ol style="list-style-type: none"> <li>1. Omitted.</li> <li>2. Omitted.</li> <li>3. To convene a virtual-only shareholders’ meeting, appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders’ meeting online shall be specified.</li> </ol>	<p>Revised, in accordance with Article 6-1 under “Sample Template for XXX Co., Ltd. Rules of Procedures of Shareholders’ Meetings.”</p>

Article No.	Amended Version	Original Version	Explanations
	<b><u>matters requires attentions.</u></b> Item 10~item 13: Omitted.	Item 10~item 13: Omitted.	
Article 23	When convening a virtual-only shareholders' meeting, the Company shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online. <b><u>Unless under a circumstance set forth in Article 44-9-6, the Regulations Governing the Administration of Shareholder Service, shall at least provide shareholders of network connection equipment and necessary assistance, also specifies the application period with the Company and other related matters requires attentions.</u></b>	When convening a virtual-only shareholders' meeting, the Company shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online.	Revised, in accordance with Article 22 under "Sample Template for XXX Co., Ltd. Rules of Procedures of Shareholders' Meetings."

### Comparison Table of Amendments to “Operational Procedures for Loaning of Company Funds”

Article No.	Amended Version	Original Version	Explanations
Article 4	<p>Application Procedure</p> <p>The borrower applies to the Company for a loan. An application form should be filled out for a preliminary evaluation of the responsible clerk on the intended fund use and financial position. The responsible departments are:</p> <ol style="list-style-type: none"> <li>1. Associates: Handled by the Finance Department.</li> <li>2. A Subcontractor: Handled by the Purchasing Department.</li> </ol>	<p>Application Procedure</p> <p>The borrower applies to the Company for a loan. An application form should be filled out for a preliminary evaluation of the responsible clerk on the intended fund use and financial position. The responsible departments are:</p> <ol style="list-style-type: none"> <li>1. Associates: Handled by the Finance Department.</li> <li>2. A Subcontractor <b><u>or Satellite Factory</u></b>: Handled by the Purchasing Department.</li> </ol>	To comply with the amendments to operational needs
Article 5	<p>Limit of Loan Amount</p> <ol style="list-style-type: none"> <li>1. An invested company that directly or indirectly with over 50% voting rights held by the Company may apply to the Company for a loan, and the total loaning amount of fund on each borrower is limited to 20% of the Company's net worth.</li> <li>2. Omitted.</li> <li>3. The Company engages in loaning of fund to each borrower is limited to 40% of the Company's net worth. Loaning of funds between companies that have 100% voting held by the Company directly or indirectly not</li> </ol>	<p>Limit of Loan Amount</p> <ol style="list-style-type: none"> <li>1. <b><u>A subcontractor, satellite factory, or</u></b> an invested company that directly or indirectly with over 50% voting rights held by the Company may apply to the Company for a loan, and the total loaning amount of fund on each borrower is limited to 20% of the Company's net worth.</li> <li>2. Omitted.</li> <li>3. <b><u>The Company's loaning of funds to companies that have 100% of the voting rights held by the Company directly or indirectly are not subject to the provision of paragraph 1.</u></b> The company engages in loaning of fund to</li> </ol>	To comply with the amendments to operational needs

Article No.	Amended Version	Original Version	Explanations
	<p>subject to the provision of paragraph 1. The loaning amount on <u>each</u> borrower and the total amount of funds is limited to 100% of the loaning company's worth. However, if the loaning company's registered place is a subsidiary in Taiwan, then the total loan amount is limited to 40% of the loaning company's net worth.</p> <p>4.~5. Omitted.</p>	<p>borrower is limited to 40% of the Company's net worth. Loaning of funds between companies that have 100% voting held by the Company directly or indirectly <u>also</u> not subject to the provision of paragraph 1. The loaning amount on each borrower and the total amount of funds is limited to 100% of the loaning company's worth. However, if the loaning company's registered place is a subsidiary in Taiwan, then the total loan amount is limited to 40% of the loaning company's net worth.</p> <p>4.~5. Omitted.</p>	

### Comparison Table of Amendments to “Regulation Governing Making of Endorsements/Guarantees”

Article No.	Amended Version	Original Version	Explanations
Article 3	<p>Total amount of endorsements/guarantees of the Company:</p> <p>1. Total amount of endorsements/guarantees of the Company shall not exceed <u>400%</u> of the net worth on the latest financial statement. The term "net worth" means the balance sheet equity attributable to the owners of the parent company.</p> <p>2. The endorsements/guarantees amount as stipulated in Article 2 (2) and Article 2 (3) and the endorsements/guarantees amount between the companies with 100% voting rights held by the Company shall not exceed <u>250%</u> of the Company's net worth; however, the total amount may not exceed the threshold stipulated in Article 3 (1).</p> <p>3.~4. Omitted.</p> <p>5. The ceilings on the amount permitted to a single entity of the Company and Subsidiary shall not exceed <u>250%</u> of the Company's net worth.</p> <p>6. Total amount of endorsements/guarantees of</p>	<p>Total amount of endorsements/guarantees of the Company:</p> <p>1. Total amount of endorsements/guarantees of the Company shall not exceed <u>250%</u> of the net worth on the latest financial statement. The term "net worth" means the balance sheet equity attributable to the owners of the parent company.</p> <p>2. The endorsements/guarantees amount as stipulated in Article 2 (2) and Article 2 (3) and the endorsements/guarantees amount between the companies with 100% voting rights held by the Company shall not exceed <u>100%</u> of the Company's net worth; however, the total amount may not exceed the threshold stipulated in Article 3 (1).</p> <p>3.~4. Omitted.</p> <p>5. The ceilings on the amount permitted to a single entity of the Company and Subsidiary shall not exceed <u>100%</u> of the Company's net worth.</p> <p>6. Total amount of endorsements/guarantees of</p>	To comply with the amendments to operational needs

Article No.	Amended Version	Original Version	Explanations
	the Company and Subsidiaries as a whole shall not exceed <b>400%</b> of the Company's net worth on the latest financial statement. If the aggregate amount of endorsements/guarantees that is set as the ceiling for the Company and subsidiaries reaches 50% or more of the net worth of the Company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders' meeting.	the Company and Subsidiaries as a whole shall not exceed <b>250%</b> of the Company's net worth on the latest financial statement. If the aggregate amount of endorsements/guarantees that is set as the ceiling for the Company and subsidiaries reaches 50% or more of the net worth of the Company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders' meeting.	
Article 4	<p>1. Omitted.</p> <p>2. Before making any endorsement/guarantee pursuant to Article 2 <b>(4)</b>, a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's board of directors for a resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.</p> <p>3.~4. Omitted.</p>	<p>1. Omitted.</p> <p>2. Before making any endorsement/guarantee pursuant to Article 2, <b>paragraph 2</b>, a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's board of directors for a resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.</p> <p>3.~4. Omitted.</p>	Modify the wording
Article 6	<p>1. Omitted.</p> <p><b><u>The chop mentioned above will be kept by a dedicated</u></b></p>	<p>1. Omitted.</p> <p><b><u>Said company seal in the preceding paragraph shall</u></b></p>	To comply with the amendments to the article 17 of the



Article No.	Amended Version	Original Version	Explanations
	<p><u>person approved by the Board. Chops used for endorsement and guarantee are handled in accordance with the Company's procedures stipulated.</u></p> <p><u>Guarantees made for foreign companies, the guarantee letter from the Company shall be signed by the person authorized by the Board.</u></p>	<p><u>be under the safekeeping of a designated person and the seal for the relevant guarantee notes shall be handled in accordance with the operating procedures prescribed by the Company.</u></p>	<p>“Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.</p>
Article 7	<p>The endorsements/guarantees of the Company is conducted by the Finance Department. The Finance Department shall prepare an “endorsement/guarantee registration book”. The financial department’s personnel in charge shall record in detail the following information for the record: the subject of the endorsement/ guarantee, the name of the party made for the endorsement/ guarantee, the amount of the endorsement/ guarantee, <u>approved by the Board or through the decision of the Chairman</u>, and the condition and date and reason for discharging the obligation of the endorser / guarantor.</p> <p>2.Omitted.</p>	<p>The endorsements/guarantees of the Company is conducted by the Finance Department. The Finance Department shall prepare an “endorsement/guarantee registration book”. The financial department’s personnel in charge shall record in detail the following information for the record: the subject of the endorsement/ guarantee, the name of the party made for the endorsement/ guarantee, the amount of the endorsement/ guarantee, and the condition and date and reason for discharging the obligation of the endorser / guarantor.</p> <p>2.Omitted.</p>	<p>To comply with the amendments to the article 18 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.</p>

### Contents of Candidates for New Directors and its Representatives as Non-Competition Restrictions

Title	Name	Currently Holding the Position of Other Companies
Director	Sen-Mei Cheng	<ul style="list-style-type: none"> <li>• Director of Dongguan Paiho Business Service Co., Ltd.</li> <li>• Director of Paiho Int'l Limited.</li> <li>• Director of He Mei Xing Ye Company Ltd.</li> <li>• Director of Vietnam Paiho Limited.</li> <li>• Director of Braits Company Limited.</li> <li>• Director of Wuxi Paisen Commerce Co., Ltd.</li> <li>• Director of Zhong Yuan Xing Ye Company Ltd.</li> <li>• Director of PT. Paiho Indonesia.</li> </ul>
Director	Representative of Everise Investment Co., Ltd. : Cheng-Wei Cheng	<ul style="list-style-type: none"> <li>• Director of Paiho North America Corporation.</li> <li>• Director of Braits Company Limited.</li> </ul>
Director	Shui-Jin, Chen	<ul style="list-style-type: none"> <li>• Independent director and member of Remuneration Committee, Merida Industry Co., Ltd.</li> <li>• Independent director and member of Remuneration Committee, Acelon chemicals &amp; Fiber Corporation.</li> </ul>
Director	Cheng-Tsung Cheng	<ul style="list-style-type: none"> <li>• Chairman of Vietnam Paiho Limited.</li> <li>• Chairman of PT. Paiho Indonesia.</li> <li>• Chairman of Spring Rich Limited,</li> <li>• Director of Wuxi Paisen Commerce Co., Ltd.</li> <li>• Director of Paiho Int'l Limited.</li> <li>• Director of Paiho Holdings Limited.</li> <li>• Director of Zhong Yuan Xing Ye Company Ltd.</li> <li>• Director of He Mei Xing Ye Company Ltd.</li> </ul>
Director	Yi-Lun Cheng	<ul style="list-style-type: none"> <li>• Director of PT. Paiho Indonesia.</li> <li>• Director of Vietnam Paiho Limited.</li> </ul>
Director	Kuei-Chu Yeh	<ul style="list-style-type: none"> <li>• Director of San Ho Xing Co., Ltd.</li> <li>• Supervisor of PT. Paiho Indonesia.</li> <li>• Member of Remuneration Committee, Honmyue Enterprise Co., Ltd.</li> </ul>
Independent Director	Jui-Lin Lo	<ul style="list-style-type: none"> <li>• Independent director and member of Remuneration Committee, Giant Manufacturing Co., Ltd.</li> </ul>

**TAIWAN PAIHO LIMITED**  
**Articles of Incorporation**

**SECTION One General Provisions**

**Article 1:**

This Company, organized and established in conformity with the provisions of Company limited by shares as prescribed by the Company Act, is hereinafter called the TAIWAN PAIHO LIMITED.

**Article 2:**

The scope of business of the Company shall be as follow

1. C399990 Manufacture of other textiles and products.
2. CZ99020 Manufacture of zippers and buttons.
3. H701040 Development of specific industrial zone.
4. H701060 Development of new city/town and new community area.
5. CZ99990 Manufacture of unassorted other industrial products.
6. C305010 Arrangement of printing and dyeing.
7. F112040 Wholesaler of petroleum products.
8. F112010 Wholesaler of gasoline and diesel.
9. F212050 Retailer of petroleum products.
10. JA01990 Other motor service industry.
11. F199990 Other wholesales.
12. F299990 Other retails.
13. F109070 Wholesaler of cultural-educational, musical and recreational articles.
14. F209060 Retailer of cultural-educational, musical and recreational articles.
15. F104110 Wholesaler of cloth, clothes, footwear, hat/cap, umbrella and clothing decorative.
16. F204110 Retailer of cloth, clothes, footwear, hat/cap, umbrella and clothing decorative.
17. F108040 Wholesaler of cosmetics.
18. F208040 Retailer of cosmetics.
19. F401010 International Trading.
20. C805030 Manufacture of plastic daily necessities.
21. F108031 Wholesaler of medical instruments.
22. F208031 Retailer of medical instruments.
23. CF01011 Manufacture of medical instruments.
24. ZZ99999 Authorized to manage the business neither prohibited nor restricted by laws and acts other than the licensed ones.

Article 2-1:

To achieve the goal of multi-directional management, the total amount of the Company's reinvestment may exceed 40% of the Company's paid in capital.

Article 2-2:

Out of business requirements, the Company may pledge for a third party (including endorsement) in accordance with the Company procedure of endorsement and guarantee practice.

Article 3:

The Company is headquartered in Changhua County, Taiwan. If required the Company may establish branches domestically or overseas by Board of Director's resolution.

Article 4:

Any and all public announcements to be made by the company shall be published in a newspaper or electronic newspaper.

Under the circumstance of the preceding paragraph, the central competent authority may establish or designate a website for public announcements.

For the preceding two paragraphs, the public company shall comply with the provisions otherwise prescribed by the competent authority in charge of securities affairs.

## SECTION Two Shares

Article 5:

The total capital of this Company shall be in the amount of NT\$3,800,000,000, divided into 380,000,000 shares, with par value of NT\$10.00 per shares. The Board of Directors is authorized to issue shares in separate installments as required.

Article 6:

The Company's shares shall be registered and numbered, bear the signatures or personal seals of the director representing the company, and be issued upon certification by the competent authority or its designated registration agency.

Article 7:

The Company may issue shares without certificates, and shall be registered with a central securities depository.

Article 8:

In case a shareholder loses his/her certified seal registered, an application, endorsed with guarantor(s), shall be filed for renewal or certified sealed with the Company.

Article 9:

Both transferor and transferee shall sign and seal the application, and apply to the Company for share transfer. Unless it is properly recorded by roster of shareholders, it cannot be held as a defense against the Company.

Article 10:

Registration for transfer of shares shall be suspended sixty (60) days prior to the annual general meeting of the shareholders', and 30 days prior to the extraordinary general meeting or 5 days prior to the standard date of dividend, bonus and/or other benefits, all transfer of company stocks shall not be executed.

Article 11:

Other provisions involving handing procedure of shares of this Company shall be set forth by Board of Directors.

SECTION Three Shareholders' Meeting

Article 12:

Shareholders' Meeting of the Company are of two types, namely:

1. Annual general meeting of shareholders shall be convened by the Board of Directors within six months after the conclusion of a fiscal year;
2. The extraordinary general meeting of shareholders may be held whenever necessary in conformity within Act.

Article 13:

Annual general shareholders' meeting shall be notified at least thirty days, and extraordinary shareholders' meeting, fifteen days in advance the shareholders with date, place, and causes for summon of the meeting.

The Company's shareholders' meetings can be held by means of visual communication network or other methods promulgated by the central competent authority.

Article 14:

Except as otherwise required by the Company Act, a proposal shall be adopted with the approval of more than half of the votes of the shareholders present at the shareholders' meeting attended by shareholders representing more than half of the total issued and outstanding shares of the Company.

Article 15:

Except as otherwise prescribed by Art 179, Company Act, each share of the Company is entitled to one vote.

#### Article 16:

A shareholder may delegate a proxy in his absence by filing a sheet of power-of-attorney printed and issued by the Company, stating with scope of empowerment, to attend the meeting in behalf of the shareholder. However, a person who is entrusted by more than two shareholders at the same time shall have the voting right not exceeding 3% of the issued total of shares and the voting right in excess of such limitation shall not be counted.

#### Article 17:

Chairman of the Board shall preside the shareholders' meeting. In case of leave or causes that prevent the chairman from duty performance, the representative shall be carried out pursuant to Art.208, Company Act.

In a shareholders' meeting summoned by a person other than the Board of Director, the person shall preside the meeting. When there are more than two persons authorized to call the meeting, one person shall be elected from among them to preside the meeting.

Resolutions adopted by shareholders' meeting shall conformity accordance the set forth of the Company shareholders' meeting.

#### Article 18:

Minutes of shareholders' meeting shall be signed by or sealed with the chop of the chairman of the meeting. Such minutes, together with the attendance list of signatures and proxies document, shall be filed and kept at the head office of the Company.

Minutes shall record the date and place of the shareholders' meetings, name of the chairman, and the resolutions method, as well as summaries and results of proceedings. Minutes of the shareholders' meetings shall be kept indefinitely for as long as the Company is in existence. Unless otherwise expressly provided by Company Act, the attendance list of signatures and proxy documents shall be kept for at least one year.

### SECTION Four Directors, Controllers and Managing Personnel

#### Article 19:

The Company shall have seven to twelve directors, with three-year office term. Directors shall be elected and appointed by the shareholders' meeting from candidates in accordance with the candidate nomination system of the Company Act, and all Directors shall be eligible for re-election.

#### Article 19-1:

Among the number of the directors of the Company, shall include at least three independent directors and should be no less than 1/3 of the total numbers of directors. Regulations

governing independent Directors' professional qualifications, shareholding, holding of concurrent positions, as well as assessment of independence, procedures of nomination and other related matters shall be adopted by the regulatory authority.

#### Article 19-2:

For the purpose of developing supervisory functions and strengthening management mechanisms, the Board of Directors of the Company may set up risk & strategic management, nomination and other functional committees.

#### Article 20:

The authorities of the Board of Directors are as follows:

1. Preparation of business plan.
2. Propose profit distribution or a plan for recovery of losses.
3. Propose to increase/ decrease capital.
4. Review Articles of Incorporation & contracts.
5. Nomination and removal of general manager and vice-general managers of the Company
6. Establishment and demobilization of branch offices.
7. Review budget and final accounts.
8. Other duties and authorities pursuant to the Company Act or resolutions of shareholders' meeting.

#### Article 21:

The Board of Directors shall elect a chairman and a vice-chairman from among the directors by majority votes in a meeting attended by two thirds of directors. The board chairman represents and preside all business operations of the Company. In case the chairman is on leave or becomes incapacitated to perform his duty, the replacement shall be made pursuant to Article 208(3), Company Act.

#### Article 22:

Unless otherwise expressly provided by Company Act, the board meeting shall be summoned by the chairman. Resolutions of the board shall be adopted by majority votes of attending directors in excess of one half unless otherwise prescribed by Company Act.

Summoned of board meeting may notify by Email or fax.

#### Article 23:

If a director is unavailable to attend a meeting in person, the director may issue a power of attorney to authorize another director to attend the meeting, however a director may represent only one other director at a meeting.

Any Director attending the meeting via video conference shall be deemed attending the meeting in person.

Article 24:

The Company shall establish an audit committee. The audit committee shall consist of independent Directors only. The audit committee shall be responsible for performing duties as prescribed for Supervisors' by the Company Act, Securities and Exchange Act and other regulations.

Article 24-1:

(Deleted.)

Article 25:

(Deleted.)

Article 26:

This Company shall have a general manager to be appointed by the majority vote of directors at a Board of Directors attended by more than one half of the total numbers of directors. Following the resolutions by the Board of Directors the general manager shall handle the Company business and with the authority to manage the affairs and sign the documents under Article of Incorporation or scope of authority set forth in contract.

Article 27:

This Company may designate several vice general managers, proposed by general managers and approved by the majority votes of Board of Directors, attended by more than one half of directors at a Board of Directors meeting. Vice general managers shall assist the general manager in all business undertakings.

SECTION Five Accounting

Article 28:

The Company fiscal year begins annually from January 1 till December 31 of the same year. After the close of each fiscal year, accordance to Company Act, the following reports shall be prepared by the Board of Directors, and submitted to the regular shareholders' meeting for acceptance:

1. Business report.
2. Financial statements.
3. Proposal concerning appropriation of earnings or covering of losses.



#### Article 29:

The Company shall set aside no less than 1% of the profit of the fiscal year for Employees' compensation and may appropriate no higher than 2% of the same profit as Directors' remuneration. However, if the Company has accumulated losses, the Company shall reserve an amount to offset it.

The profit of the fiscal year described above shall mean the profit before income tax less Employees' compensation and Directors' remuneration.

The appropriation of Employees' compensation and Directors' remuneration are resolved by a majority vote at a Board of Directors meeting attended by two-thirds of the total number of directors and shall be reported to the shareholders' meeting.

Employees' compensation shall be distributed in the form of shares or in cash. Employees eligible for such compensation may include the employees of parents or subsidiaries of the Company meeting certain specific conditions. Such conditions authorize the board of directors to make such decisions.

#### Article 29-1:

If the Company annual reports a surplus, shall pay the applicable tax, offset its accumulated losses, then set aside a legal reserve at 10% of remaining profits, and for special reserve shall be set aside according to regulations or upon request by the Financial Supervisory Commission. Any further remaining profits, the balance plus unappropriated earnings for prior year shall be distributed in accordance with the proposal submitted by the Board, and shall make approval at a shareholders' meeting, if the Company is distributing in the form of new shares.

If the Company has all or part of the legal reserve and additional paid-in capital applied for the distribution of dividends and bonuses with cash paid, according to Paragraph 5 of Article 240 of the Company Act, a resolution should be reached with the attendance of two-thirds of the directors and the consent of the majority of attending directors at the board meeting; also, it should be reported in the shareholders meeting.

#### Article 30:

For distribution of share interest to shareholders, only those who are listed on shareholders' register on the standard date of share interest are eligible.

#### Article 30-1: Dividend Policy

To coordinate with the integrated environment and maturity characteristics of industry and in consideration of future business expansion, capital demand and influences on Company and shareholders imposed by tax system, distribution of Company share interest will be adjusted and issued in accordance with the profit condition so as to maintain the steady growth of

surplus profit of each share. The dividend distribution ratio shall not less than 25% of the balance after the Company's after-tax profit minus the following items, includes accumulated losses, provision of legal reserve and other deductions of undistributed profit of the year. The ratio of distributions of cash dividends shall not to be lower than 15% of the total amounts of dividends, and the remaining will issue stock dividends.

Article 31:

1. The Board of Directors is authorized to resolve Directors' remuneration in accordance to related industry standard. Payments to directors are rewards for their duty performance, regardless of the loss
2. Amount of transportation allowances for directors shall be resolved by the Board of Directors.

Article 31-1:

Within the business scope and the term of appointment, the Company may obtain liability insurance for the directors and related managing personnel.

SECTION Six Addenda

Article 32:

The organization and the detailed standard operational procedures of this Company are to be provided otherwise.

Article 33:

Matters not addressed in these Articles of Incorporation shall be governed by the Company act.

Article 34:

These Articles of Incorporation are agreed to and signed on November 26, 1984 by all the promoters of the Company

The first amendment was made on April 10, 1986.

The second amendment was made on July 25, 1990.

The third amendment was made on September 30 1990.

The fourth amendment was made on October 18, 1990.

The fifth amendment was made on January 29, 1991.

The sixth amendment was made on April 30, 1992.

The seventh amendment was made on February 28, 1995.

The eighth amendment was made on February 15, 1996.

The ninth amendment was made on May 15, 1997.

The tenth amendment was made on July 25, 1997.

The eleventh amendment was made on November 14, 1997.  
The twelfth amendment was made on April 30, 1998.  
The thirteenth amendment was made on November 15, 1999.  
The fourteenth amendment was made on May 31, 2000.  
The fifteenth amendment was made on May 2, 2001.  
The sixteenth amendment was made on June 27, 2002.  
The seventeenth amendment was made on June 17, 2003.  
The eighteenth amendment was made on June 14, 2005.  
The nineteenth amendment was made on June 14, 2006.  
The twentieth amendment was made on June 22, 2007.  
The twenty-first amendment was made on June 13, 2008.  
The twenty-second amendment was made on May 11, 2010.  
The twenty-third amendment was made on April 21, 2011.  
The twenty-four amendment was made on June 27, 2012.  
The twenty-five amendment was made on June 18, 2013.  
The twenty-six amendment was made on June 10, 2015.  
The twenty-seven amendment was made on June 16, 2016.  
The twenty-eight amendment was made on June 15, 2017.  
The twenty-ninth amendment was made on June 13, 2019.  
The thirty amendment was made on June 10, 2020.  
The thirty-one amendment was made on June 24, 2022.

TAIWAN PAIHO LIMITED

Chairman: Sen-Mei Cheng

**Taiwan Paiho Limited**

**Procedures for Governing the Election of Directors**

**(The “Procedures”)**

Adopted by shareholders’ meeting on July 8, 2021

1. To ensure a just, fair, and open election of directors, these procedures are adopted pursuant to Articles 21 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies

Except as otherwise provided by law and regulation or by this Company's articles of incorporation, elections of directors shall be conducted in accordance with these procedures.

2. The overall composition of the board of directors shall be taken into consideration in the selection of this Company's directors. A spousal or familial relationship within the second degree kinship may not exist among more than half of the board of Directors’ seats. The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:

- (1) Basic requirements and values: Gender, age, nationality, and culture.
- (2) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

- (1) The ability to make judgments about operations.
- (2) Accounting and financial analysis ability.
- (3) Business management ability.
- (4) Crisis management ability.
- (5) Knowledge of the industry.
- (6) An international market perspective.
- (7) Leadership ability.
- (8) Decision-making ability.

The board of directors of this Company shall consider adjusting its composition based on the results of performance evaluations.

3. The qualifications of independent directors of the Company shall comply with Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

The election of independent directors of the Company shall comply with Articles 5, 6, 7, 8, and 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and shall be conducted in accordance with Article 24 of the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies.

4. The Directors of the Company election shall adopt the candidate nomination system according to Article 192-1 of the Company Act.

When the number of directors falls below five due to the dismissal of a director for any reason, this Company shall elect new Directors to fill such vacancies at its next shareholders' meeting. If the vacancies of the board of Directors reaches one third of the total number of the board of Directors' seats prescribed in its Articles of Incorporation, the Company shall call an extraordinary general meeting within 60 days from the occurrence of such event and elect Directors to fill the vacancies.

When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

5. The Directors of the Company election shall adopt the cumulative voting system. The number of votes exercisable in respect of each share shall be the same as the number of Directors to be elected, and the total number of votes per share may be consolidated for the election of one candidate or may be split for the election of two or more candidates.
6. The board of Directors shall prepare the ballots in the number equal to the number of Directors to be elected, with the number of votes being noted on the ballots; and distribute the ballots to the shareholders who are present at the shareholders' meeting. The name of the voters may be represented by the attendance number printed on their ballots.
7. Before the election begins, the chairman shall designate a number of persons to count the ballots and a number of persons that are shareholders of the Company to supervise the casting of the ballots, each of which shall then respectively perform their relevant functions accordingly. A ballot box prepared by the board of Directors shall be examined in public by persons supervising the casting of the ballots before the ballots are cast.

8. The Company's Directors shall be elected in accordance with the number of Directors to be elected specified in the Company's Articles of Incorporation. The number of votes received by the independent Directors and non-independent Directors shall be calculated separately. A candidate to whom the ballots cast represent the highest number of votes shall be deemed an elected Director or independent Director. If two or more candidates receive the same number of votes, which consequently exceeds the number of Directors or independent Directors to be elected, such candidates who received the same number of votes shall draw lots to decide the winner; if such candidate(s) is(/are) not present, the chairman shall draw lots on behalf of the candidate(s).
9. A ballot is deemed void if any of the following circumstances apply:
  - (1) Any ballot is cast without the ballot prepared by the party entitled to call for the session.
  - (2) Any blank ballot is cast.
  - (3) Any ballot with illegible writing rendering it unrecognizable; or any ballot with corrections, is cast.
  - (4) The name of the candidate marked down was found irrelevant to the candidates to the seats of Directors on the list.
  - (5) Other handwriting was marked on the ballot other than the number of voting rights allotted.
10. The ballots should be calculated during the meeting right after the vote casting and the results of the election should be announced by the Chairman at the meeting, including the list of winners to the seats of Directors, the votes the candidates earned.

The ballots in the preceding paragraph shall be sealed and signed by the persons supervising the casting of the ballots and kept for at least one year; provided, however, ballots concerning an action filed by a shareholder according to Article 189 of the Company Act shall be retained until the process has been concluded.
11. The board of directors of this Company shall issue a Notice of Elections to all the directors and independent directors.
12. The procedures for Governing the Election of Directors and any amendments hereto, shall be effective once approved by the Audit Committee and the Board of Directors, and after approved by shareholders meetings.

**TAIWAN PAIHO LIMITED**  
**Codes of Ethical Conduct**  
**(Original Version)**

Adopted by Board of Directors on March 7, 2017

**Article 1: Purpose of and basis for adoption**

In recognition of the necessity to assist the companies establishment of codes of ethical conduct, these Guidelines are adopted for the purpose of encouraging directors, managerial officers, and other employees (Hereinafter referred to as "the Company's personnel") to act in line with ethical standards, and to help interested parties better understand the ethical standards of such companies.

**Article 2: Content of the code**

Taking its individual circumstances and needs into consideration, the Company shall adopt a code of ethical conduct that addresses the following ten matters:

The relevant units shall submit a petition to the Chairman for approval in any of the following circumstances, and a significant event shall be reported to the Board of Directors for resolution.

**1. Ethics and Integrity:**

Ethics are not limited to legal provisions. Under the premise of the law, all business should be conducted with integrity and all conflicts of interest should be prevented. The principles of ethics and integrity include:

- (1) Conduct business with integrity and faithfully record all transactions.
- (2) When performing tasks, business information should be kept confidential. Maintain a complete business and operational record, and respect the business assets and intellectual property of the Company, customers, and partners.
- (3) The Company's accounting books, invoices, records, entries, funds, and assets must be properly compiled and stored so that the Company's transactions and business operation can be properly and correctly reflected.
- (4) The personnel of the Company are prohibited from fabricating false records or misleading statements or records, and deliberately concealing or disguising the Company's trading facts.
- (5) No secret account may be opened, maintained, or used at a bank or other institution to conduct account transaction processing related to the Company.

- (6) No records relating to investigation, litigation, or legal procedures should be destroyed, altered, or forged.

## 2. Prevent Conflicts of Interest:

Conflicts of interest arise when personal interests or the Company's overall interests are involved, for example, when the Company's personnel are unable to handle official duties in an objective and efficient manner, or based on their positions in the Company to obtain illegal gains for the principal, spouses, parents, children, or second cousins. The transactions between the Company and the associates of the aforementioned personnel should be handled as follows: (1) Loaning of funds, it shall be handled according to the Company's "Operational Procedures for Loaning of Company Funds;" (2) When guarantee is provided, it shall be handled in accordance with the Company's "Regulation Governing Making of Endorsements/Guarantees;" (3) For major assets transactions or long-term equity investments, it shall be handled in accordance with the Company's "Procedures for the Acquisition or Disposal of Assets;" (4) Purchase (sale) orders and the management of payables and receivables arising from the purchase (sales) of products shall be handled in accordance with the relevant provisions of the Company's procurement and sales cycle.

The Company formulates anti-conflict of interest policies in relevant internal control and management, and provides appropriate channels for the Company's personnel to proactively explain whether they have potential conflicts of interest with the Company.

## 3. Minimizing incentives to pursue personal gain:

The Company's personnel shall prevent from engaging in any of the following activities: (1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions. (2) Obtaining personal gain by using company property or information or taking advantage of their positions. (3) Competing with the Company. When the Company has an opportunity for profit, it is the responsibility of the directors and managerial officers to maximize the reasonable and proper benefits that can be obtained by the Company.

## 4. Confidentiality:

The Company's personnel shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.

## 5. Fair trade:

The Company's personnel shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading



practices.

6. Safeguarding and proper use of company assets:

The Company's personnel have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets that will all directly impact the Company's profitability.

7. Legal compliance:

The company's personnel should strictly abide by the "Securities Exchange Act," the relevant laws and regulations on preventing insider trading, and other laws and regulations on the handling of stock trading and business secret information.

8. Correctness of Records and Other Public Information:

The disclosure of the Company's financial statements and related information shall be without any material errors. All accounting books, records, or other information disclosed to the public shall be able to respond to all transactions and assets disposition in a complete, adequate, correct, and timely manner. Any individual and his/her subordinate who knows (or should know) that his/her actions may result in material misleading of the Company's financial statements may not directly or indirectly affect the Company's auditors or accountants by means of coercion, manipulation, misleading, or fraud. The person responsible for the disclosure of Company information should follow the disclosure procedures within the scope of their responsibilities, and make every effort to ensure that the relevant information reported or delivered to the competent authorities is complete, adequate, correct, timely, and solvable.

9. Encouraging reporting on illegal or unethical activities:

The Company shall raise awareness of ethics internally and encourage employees to report to an Independent Director, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the Code of Ethical Conduct. In order to encourage employees to report any violation committed, the Company should handle the reported event in a confidential manner, objectively verify it through independent channels, and do its utmost to protect the safety of the reporters from retaliation.

10. Disciplinary measures:

When the Company's personnel violate the Regulations, the Company will take appropriate measures according to the seriousness of the violation, and immediately depending on the seriousness of the violation, shall without delay disclose on the Market Observation Post System (MOPS) the date of the violation by the violator, reasons for the violation, the provisions of the code violated, and the disciplinary

actions taken. It is advisable that the company establish a relevant complaint system to provide the violator with remedies.

#### Article 3: Procedures for exemption

The code of ethical conduct adopted by the Company must require that any exemption for the company's personnel from compliance with the code be adopted by a resolution of the board of directors, and that information on the date on which the board of directors adopted the resolution for exemption, objections or reservations of independent directors, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

#### Article 4: Method of disclosure

The Company shall disclose the Code of Ethical Conduct it has adopted, and any amendments to it, on its company website, in its annual reports and prospectuses and on the MOPS.

#### Article 5: Enforcement

The Code of Ethical Conduct shall be effective once approved by of the Audit Committee and the Board of Directors, and submitted to shareholders meeting. The same applies in case of revision.

**TAIWAN PAIHO LIMITED**  
**Rules and Procedures for Shareholders' Meetings**  
**(Original Version)**

Adopted by shareholders' meeting on June 24, 2022

**Article 1**

The rules and procedures for the Shareholders' Meeting of the Company, except as otherwise provided by law, regulation, or the articles of incorporation, shall be as provided in these Rules.

Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the board of directors.

Changes to the means of holding the shareholders' meeting shall be subject to a resolution of the board of directors, and before the notice of the shareholders' meeting is dispatched.

**Article 2**

This Company shall process the notices to shareholders' meeting, the subject issues and explanation, notice or upload them to the Market Observation Post System website before 30 days before the date of a regular shareholders meeting or before 15 days before the date of an extraordinary shareholders meeting.

The Company shall make the meeting agenda and supplemental meeting materials in the preceding paragraph available to shareholders for review in the following manner on the date of the shareholders' meeting:

1. For physical shareholders' meetings, to be distributed on-site at the meeting.
2. For hybrid shareholders' meetings (virtual platform is made available), to be distributed on-site at the meeting and shared on the virtual meeting platform via electronic files.
3. For virtual-only shareholders' meetings, electronic files shall be shared on the virtual meeting platform.

The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors, amendments to the Articles of Incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the company, or any matter under Article 185, paragraph 1 of the Company Act, or others in accordance to relevant regulations or articles of incorporation shall be itemized in the causes

and subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as an extemporary motions.

A handbook shall be prepared for the convention of shareholders meeting. This handbook and other materials for the meeting shall be publicly announced in compliance with the regulations of the competent authority.

The time and method of the public announcement mentioned in the foregoing paragraph, the main items stated in the meeting handbook, and other compliance requirements shall in all cases be as prescribed by the "Regulations Governing Content and Compliance Requirements for Shareholders' Meeting Handbooks of Public Companies."

The shareholders' meeting has convened a general re-election of directors, and stated the date of appointment. After the re-election of the shareholders' meeting, the same meeting may not change its appointment date by extemporary motion or other means.

A shareholder holding 1 percent or more of the total number of issued shares may submit to this Company a proposal for discussion at a regular shareholders' meeting. But provided that only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda.

Prior to the book closure date before a regular shareholders' meeting is held, this Company shall publicly announce that it will receive shareholder proposals in writing, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

The number of words of a proposal to be submitted by a shareholder shall be limited to not exceeds 300 characters in length. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders' meeting and take part in discussion of the proposal.

Unless any of the following circumstances apply, the proposal raised by the shareholders, the Board of Directors shall included in the agenda:

1. The proposal is not a matter that may be resolved at the annual general meeting.
2. The proposing shareholder holds less than 1% of issued shares at the time when the share transfer registration is suspended by the Company in accordance with the provisions set out in Paragraph 2 or Paragraph 3, Article 165 of Company Act.
3. The proposal was not submitted during the publicly announced acceptance period in the foregoing paragraph.
4. Where the said proposal containing exceeds 300 characters in length or more than one proposal.

A shareholder proposal proposed under Paragraph 8 for urging a company to promote public

interests or fulfill its social responsibilities may still be included in the agenda

Prior to the date for issuance of notice of a shareholders' meeting, this Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. With regard to any shareholder proposals not included in the meeting agenda, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the shareholders' meeting to be convened.

### Article 3

The Company shall specify in its shareholders' meeting notices the time during which attendance registrations for shareholders, solicitors and proxies (collectively "shareholders") will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations. For virtual shareholders' meetings, shareholders may begin to register on the virtual meeting platform 30 minutes before the meeting starts. Shareholders completing registration will be deemed as attending the shareholders' meeting in person.

Shareholders shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

This Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

This Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

In the event of a virtual shareholders' meeting, shareholders wishing to attend the meeting online shall register with the Company two days before the meeting date.

In the event of a virtual shareholders' meeting, the Company shall upload the meeting agenda book, annual report and other meeting materials to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

To convene a virtual shareholders' meeting, the Company shall include the follow particulars in the shareholders' meeting notice:

1. How shareholders attend the virtual meeting and exercise their rights.
2. Actions to be taken if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events, at least covering the following particulars:
  - (1) To what time the meeting is postponed or from what time the meeting will resume if the above obstruction continues and cannot be removed, and the date to which the meeting is postponed or on which the meeting will resume.
  - (2) Shareholders who have not registered to participate in the affected shareholders' meeting online shall not attend the postponed or resumed session.
  - (3) In case of a hybrid shareholders' meeting (virtual platform is made available), when the virtual meeting cannot be continued, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, meets the minimum legal requirement for a shareholder meeting, then the shareholders' meeting shall continue. The shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, and the shareholders attending the virtual meeting online shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting
  - (4) Actions to be taken if the outcome of all proposals have been announced and extraordinary motions has not been carried out.
3. To convene a virtual-only shareholders' meeting, appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online shall be specified.

Attendance at shareholder meeting shall be calculated based on the number of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in, and the shares checked in on the virtual meeting platform, plus the number of shares whose voting rights are exercised by correspondence or electronically.

The chairman shall call the meeting to order at the appointed meeting time, and announce the shares without voting rights and the attendance of the shareholders and the voting shares represented. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chairman may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chairman shall declare

the meeting adjourned. When a visual communication shareholders meeting is held, the company shall also announce the meeting adjourned on the virtual meeting platform of the shareholders' meeting. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution

may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month. In the event of a virtual shareholders' meeting, shareholders wishing to attend the meeting online shall reregister with the Company, as stipulated under paragraph 7.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chairman may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.

#### Article 4

The venue for a shareholders meeting shall be the premises of this Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.

When the Company convene a visual communication shareholders meeting, it is not subject to the restrictions on the venue of the preceding paragraph.

#### Article 5

If a shareholders meeting is convened by the Board of Directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave or for any reason unable to exercise the powers of chairman, his proxy shall be handled in accordance with Paragraph 3 of Article 208 of the Company Act.

It is advisable that shareholders' meeting convened by the board of directors be chaired by the chairman of the board in person and attended by a majority of the directors (including at least one independent director) and convener of the audit committee, attend in person, and at least one member of other functional committees on behalf of the committee. The attendance shall be recorded in the meeting minutes.

If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chairman from among themselves.

This Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.

#### Article 6

For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to this Company before 5 days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

If, after a proxy form is delivered to the Company, a shareholder wishes to attend the shareholders' meeting online, a written notice of proxy cancellation shall be submitted to the Company two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

#### Article 7

The Company shall make an audio or video recording of the entire proceedings of the shareholders' meeting, and shall preserve the recording for at least one year. If, however, a shareholder initiates a lawsuit in accordance with Article 189 of the Company Act, such a recording shall be preserved until the conclusion of the lawsuit.

Where a shareholders' meeting is held virtually, the Company shall keep records of shareholder registration, sign-in, check-in, questions raised, votes cast and results of votes counted by the Company, and continuously audio and video record, without interruption, the proceedings of the virtual meeting from beginning to end.

The information and audio and video recording in the preceding paragraph shall be properly kept by the Company during the entirety of its existence, and copies of the audio and video recording shall be provided to and kept by the party appointed to handle matters of the virtual meeting.



## Article 8

Voting at a shareholders meeting shall be calculated based the number of shares.

With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3 percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

## Article 9

If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. Related motions shall vote case by case (including extemporaneous motions and amendments to the original motions). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.

The chairman may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extemporaneous motions), except by a resolution of the shareholders meeting. If the chairman declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chairman in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

Apart from the circumstances in the foregoing paragraph, after a meeting has adjourned, shareholders may not further select a chairman and continue the meeting at the original site or some other location.

## Article 10

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chairman.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chairman and the shareholder that has the floor; the chairman shall stop any violation.

## Article 11

Except with the consent of the chairman, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chairman may terminate the speech.

When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.

After an attending shareholder has spoken, the chairman may respond in person or direct relevant personnel to respond.

Where a virtual shareholders' meeting is convened, shareholders attending the virtual meeting online may raise questions in writing at the virtual meeting platform from the chair declaring the meeting open until the chair declaring the meeting adjourned. No more than two questions for the same proposal may be raised. Each question shall contain no more than 200 words. Paragraph above does not apply to Article 10 and paragraph 1–2 under this Article.

## Article 12

The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by this Company, and the voting results shall be announced on-site immediately, including the list of winners to the seats of Directors, the votes the candidates earned, and the list of candidates not elected to the seats of Directors and the votes they earned.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least 1 year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

### Article 13

On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies and the number of shares by written or electronic means, and shall make an express disclosure of the same at the place of the shareholders meeting. In the event of a virtual shareholders' meeting, the Company shall upload the meeting materials above to the virtual meeting platform at least 30 minutes before the meeting starts, and keep this information disclosed until the end of the meeting.

During the Company's virtual shareholders' meeting, when the meeting is called to order, the total number of shares represented at the meeting shall be disclosed on the virtual meeting platform. The same shall apply whenever the total number of shares represented at the meeting and a new tally of votes is released during the meeting.

### Article 14

The Chairman shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extemporary motions put forward by the shareholders; when the Chairman is of the opinion that a proposal has been discussed sufficiently and enough time to put it to a vote, the Chairman may announce the discussion closed and call for a vote.

### Article 15

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chairman, provided that all monitoring personnel shall be shareholders of this Company.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

When the Company convenes a virtual shareholders' meeting, after the chairman declares the meeting open, shareholders attending the meeting online shall cast votes on proposals and elections on the virtual meeting platform before the chairman announces the voting session ends or will be deemed to abstain from voting.

In the event of a virtual shareholders' meeting, votes shall be counted at once after the chairman announces the voting session ends, and results of votes and elections shall be announced.

When the Company convenes a hybrid shareholders' meeting (virtual platform is made available), if shareholders who have registered to attend the meeting online in accordance with Article 3 decide to attend the physical shareholders' meeting in person, they shall revoke their registration two days before the shareholders' meeting in the same manner as they

registered. If their registration is not revoked within the time limit, they may only attend the shareholders' meeting online.

When shareholders exercise voting rights by correspondence or electronic means, unless they have withdrawn the declaration of intent and attended the shareholders' meeting online, except for extraordinary motions, they will not exercise voting rights on the original proposals or make any amendments to the original proposals or exercise voting rights on amendments to the original proposal.

#### Article 16

When a meeting is in progress, the chairman may announce a break based on time considerations. If a force majeure event occurs, the chairman may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extemporary motions) on the meeting agenda have been addressed, the shareholders meeting may adopt a resolution to resume the meeting at another venue.

A resolution may be adopted at a shareholders meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

#### Article 17

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When this Company holds a shareholders meeting, it shall allow the shareholders to exercise voting rights by correspondence or electronic means, when voting rights are exercised by correspondence or electronic means, the method of exercise and related matters shall be handled in accordance with the provisions of the Company Act and the competent authorities.

Except as otherwise provided in the Company Act and in this Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the Chairman or a person designated by the Chairman shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. On the day after shareholders' meeting, the Company shall place on record the result of the shareholders' for and against votes and their waivers in the Market Observation Post System (MOPS)

When there is an amendment or an alternative to a proposal, the chairman shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals

will then be deemed rejected, and no further voting shall be required.

The chairman shall determine the order for discussion and vote for the proposals made during the extemporary motion session.

#### Article 18

Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chairman of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.

This Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the Market Observation Post System (MOPS).

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the Chairman's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the statistical tallies of the numbers of votes). When election of directors, shall disclosed the number of votes for each candidate and shall be retained for the duration of the existence of this Company.

Where a virtual shareholders' meeting is convened, in addition to the particulars to be included in the meeting minutes as described in the preceding paragraph, the start time and end time of the shareholders' meeting, how the meeting is convened, the chairman's and secretary's name, and actions to be taken in the event of disruption to the virtual meeting platform or participation in the meeting online due to natural disasters, accidents or other force majeure events, and how issues are dealt with shall also be included in the minutes.

When convening a virtual-only shareholder meeting, other than compliance with the requirements in the previous paragraph, the Company shall specify in the meeting minutes alternative measures available to shareholders with difficulties in attending a virtual-only shareholders' meeting online.

#### Article 19

Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.

The chairman may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by this Company, the chairman may prevent the shareholder from so doing.

When a shareholder violates the rules and procedures and defies the chairman's correction, obstructing the proceedings and refusing to heed calls to stop, the chairman may direct the proctors or security personnel to escort the shareholder from the meeting.

#### Article 20

In the event of a virtual shareholders' meeting, the Company shall disclose real-time results of votes and election immediately after the end of the voting session on the virtual meeting platform according to the regulations, and this disclosure shall continue at least 15 minutes after the chair has announced the meeting adjourned.

#### Article 21

When the Company convenes a virtual shareholders' meeting, both the chairman and secretary shall be in the same location, and the chairman shall declare the address of their location when the meeting is called to order.

#### Article 22

In the event of a virtual shareholders' meeting, when declaring the meeting open, the chairman shall also declare, unless under a circumstance where a meeting is not required to be postponed to or resumed at another time under Article 44-20, paragraph 4 of the "Regulations Governing the Administration of Shareholder Services of Public Companies," if the virtual meeting platform or participation in the virtual meeting is obstructed due to natural disasters, accidents or other force majeure events before the chairman has announced the meeting adjourned, and the obstruction continues for more than 30 minutes, the meeting shall be postponed to or resumed on another date within five days, in which case Article 182 of the "Company Act" shall not apply.

For a meeting to be postponed or resumed as described in the previous paragraph, shareholders not having registered to attend the affected virtual shareholders' meeting shall not attend the postponed or resumed session.

For a meeting to be postponed or resumed under the previous paragraph, the number of shares represented by, and voting rights and election rights exercised by the shareholders who have registered to participate in the affected shareholders' meeting and have successfully signed in the meeting, but do not attend the postpone or resumed session, at the affected shareholders' meeting, shall be counted towards the total number of shares, number of voting rights and number of election rights represented at the postponed or resumed session.

During a postponed or resumed session of a shareholders' meeting held under the previous paragraph, no further discussion or resolution is required for proposals for which votes have been cast and counted and results have been announced, or list of elected directors.

When the Company convenes a hybrid shareholders' meeting (virtual platform is made available), and the meeting cannot continue as described in the previous paragraph, if the total number of shares represented at the meeting, after deducting those represented by shareholders attending the virtual shareholders' meeting online, still meets the minimum legal requirement for a shareholder meeting, then the shareholders' meeting shall continue, and not postponement or resumption thereof under the previous paragraph is required.

Under the circumstances where a meeting should continue as in the previous paragraph, the shares represented by shareholders attending the virtual meeting online shall be counted towards the total number of shares represented by shareholders present at the meeting, provided these shareholders shall be deemed abstaining from voting on all proposals on meeting agenda of that shareholders' meeting.

When postponing or resuming a meeting according to the first paragraph, the Company shall handle the preparatory work based on the date of the original shareholders' meeting in accordance with the requirements listed under Article 44-20, paragraph 7 of the "Regulations Governing the Administration of Shareholder Services of Public Companies."

For dates or period set forth under Article 12, second half, and Article 13, paragraph 3 of "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies," and Article 44-5, paragraph 2, Article 44-15, and Article 44-17, paragraph 1 of the "Regulations Governing the Administration of Shareholder Services of Public Companies," the Company shall handle the matter based on the date of the shareholders' meeting that is postponed or resumed under the first paragraph.

#### Article 23

When convening a virtual-only shareholders' meeting, the Company shall provide appropriate alternative measures available to shareholders with difficulties in attending a virtual shareholders' meeting online.

#### Article 24

These procedures shall be effective once approved by of the Audit Committee and the Board of Directors, and after adoption by shareholders meetings. The same applies in case of revision.

**TAIWAN PAIHO LIMITED**  
**Operational Procedures for Loaning of Company Funds**  
**(Original Version)**  
**(This “Procedures”)**

Adopted by shareholders’ meeting on June 24, 2022

**Article 1:**

In order to meet the business needs, the Company will have funds loaned to other legal persons or groups that are not shareholders, ( hereinafter referred to as the Borrowers, ) in accordance with the operating procedures.

**Article 2: Reasons and Necessity of Loaning of Funds**

The Company may not provide loans to shareholders or other parties unless any of the following circumstances:

1. The Company directly or indirectly invests in an enterprise that has finance and operating decisions controlled by the Company and has short-term financing needs due to business operations.
2. Another company or firm that needs short-term financing for purchasing materials and supplies or business operations.
3. Between to companies or firms that engage in business.
4. Others approved by the Board of Directors of the Company.

**Article 3: Application Recipients**

1. Engaging in business with the Company or with the firms.
2. For companies or firms with short-term financing requirements from the Company. The term “short-term” shall mean the longer of one year. However, if operating cycle period of the Company is longer than one year, the operating cycle period shall prevail.
3. The loaning of funds between foreign companies that have 100% voting rights held by the Company, or, the loaning of funds from an invested company that has 100% voting rights held by the Company are not subject to the provision of Article 3.2.

**Article 4: Application Procedure**

The borrower applies to the Company for a loan. An application form should be filled out for a preliminary evaluation of the responsible clerk on the intended fund use and financial position. The responsible departments are:



1. Associates: Handled by the Finance Department.
2. A Subcontractor or Satellite Factory: Handled by the Purchasing Department.

#### Article 5: Limit of Loan Amount

1. A subcontractor, satellite factory, or an invested company that directly or indirectly with over 50% voting rights held by the Company may apply to the Company for a loan, and the total loaning amount of fund on each borrower is limited to 40% of the Company's net worth.
2. For the loaning of funds arising from a business relationship, the each borrower loan amount should be equivalent to the business transactions amount. The total business amount refers to during the previous 12 months before the loan, whichever is higher on the purchase amount or sale amount of the goods between two parties.
3. The Company's loaning of funds to companies that have 100% of the voting rights held by the Company directly or indirectly are not subject to the provision of paragraph 1. The company engages in loaning of fund to borrower is limited to 40% of the Company's net worth. Loaning of funds between companies that have 100% voting held by the Company directly or indirectly also not subject to the provision of paragraph 1. The loaning amount on borrower and the total amount of funds is limited to 100% of the loaning company's worth. However, if the loaning company's registered place is a subsidiary in Taiwan, then the total loan amount is limited to 40% of the loaning company's net worth.
4. The loaning of funds from an invested company that has 100% voting rights held by the Company, the limit of each borrower loaning amount of fund and the total amount shall not exceed 100% of the net worth of the invested company. However, if the loaning company's registered place is a subsidiary in Taiwan, then the total loan amount is limited to 40% of the loaning company's net worth.
5. The Company engages in the loaning of funds from the preceding 3 paragraphs, the total loan amount limited to 40% of the Company's net worth.

#### Article 6: Credit Investigation and Evaluation of Risks:

1. The responsible department shall conduct credit investigation and perform risk assessment when receiving applications for loans. The assessment items shall include:
  - (1) The necessity and rationality of the loaning of funds.
  - (2) Credit investigation and risk assessment of borrowers.
  - (3) Impact on the Company's operational risk, financial position, and shareholders' equity.
  - (4) The necessity of obtaining collateral and appraisal of the value thereof.

2. Applicants should provide the following information:
  - (1) A photocopy of the incorporation document approved by the competent authorities.
  - (2) Financial statements and production and sales volume and value document.
  - (3) Banking details.
3. If the borrowing period is for more than one year or a new application is filed, in principle, the credit investigation should be performed once a year.
4. If, as a result of a change in circumstances, the borrowing counterparty to which the loan is extended does not meet the requirements of the Procedures, or the loan balance exceeds the limit, such plans shall be submitted to all independent director, and shall be carried out according to the timeframe set out in the plan.
5. The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information from implementation of necessary auditing procedures.

#### Article 7: Scope of Authorization

1. After the credit investigation or evaluation, if the applicant fails to meet the requirements of the Company, the responsible clerk shall inform the applicant that the loan application has been declined as soon as possible.
2. After the credit investigation or evaluation, if the applicant meets the requirements of the Company, the responsible clerk shall draft the loan conditions, which shall be reviewed by the General Manager and authorized by the Board of Directors, and take into account the opinions of the independent directors; also, their consent or opposition and the reasons for their opposition should be included in the minutes of the board meeting. Notify the applicant of the contents.
3. The responsible clerk may not have the loan applicant informed before a decision is resolved by the Board of Directors so to avoid disputes.

#### Article 8: Insurance

If collateral is a precondition for a loan to be granted, the applicant must acquire insurance for the equivalent value, and the Company should be designated as the beneficiary in order to secure the Company's rights and interests.

#### Article 9: Term of Financing and Interest-bearing Method

1. Term: The term of the loan is limited to one year. However, if the Company's business cycle is longer than one year, the business cycle shall prevail.  
The duration of the following two items on loaning of funds is not subject to the provision of one year or one business cycle, but it may not be for more than six years:

- (1) The loaning of funds for business transactions.
  - (2) The loaning of funds between foreign companies that have 100% of the voting rights held by the Company directly or indirectly.
  - (3) The loaning of funds from an invested company that has 100% voting rights held by the Company.
2. Interest-bearing Method: Consider the appropriate interest rate based on the cost of capital.
3. When capital is lent between the Company and its subsidiary or among subsidiaries of the Company, shall be approval by the Board of Directors, the Chairman may be authorized to proceed with several releases of funds or revolving drawdowns with regard to the same borrower within a certain amount authorized by resolution of the Board of Directors and within the period of one year.

The term “a certain amount” as describe in the preceding paragraph, shall be in addition to the provisions paragraph 3 of article 5, the authorized amount of the company or its subsidiaries shall not exceed ten percent of the net worth of the Company or subsidiaries according to its latest financial statements.

#### Article 10: Establish a Log Book

The loaning of funds should have a memorandum book prepared for the record of the borrower, loan amount, the Board resolution date, the date of the loaning of funds, and the assessment performed.

#### Article 11:

The Company’s Audit Department shall, at least once per quarter, audit the procedures for loaning funds to others and the state of their implementation, and keep written records accordingly. All independent directors shall be notified immediately in writing if any material violations are discovered. The Company’s managers and personnel in charge should be treated as violations if any material violations are discovered.

#### Article 12: Announcement to public

1. The Company shall, before the tenth day of each month, report its subsidiaries’ balance of loans during the previous month.
2. The Company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
  - (1) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
  - (2) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statement.
  - (3) The amount of new loans of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statement.

When a subsidiary of the Company is not a domestic public company, the Company shall perform for the subsidiary on the announcement and reporting tasks as described in the preceding 3 subparagraphs.

Article 13:

When a subsidiary of the Company planning to loan funds to others, the Company shall appointed a subsidiary formulate its loan operating procedures, and shall implement its loans of funds in accordance with its operating procedures.

Article 14: Penalties

If any of the Company's managers or personnel in charge violates this Procedure, the person who violates this Procedure will receive penalties commensurate with the severity of such violation according to the Company's "working rules."

Article 15:

Matters not covered in the Procedures are handled in accordance with the relevant laws and regulations and the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."

Article 16:

This Procedure shall be effective once approved by of the Audit Committee and the Board of Director, and after adoption by shareholders meetings. If any directors express an objection and such objection is recorded in the meeting minutes or a written statement is made for such objection, the Company shall submit the objection to the shareholders' meeting for discussion. The same procedures shall apply to any amendments to the Procedures.

The preceding paragraph shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

**TAIWAN PAIHO LIMITED**  
**Regulation Governing Making of Endorsements/Guarantees**  
**(Original Version)**  
**(This “Regulation”)**

Adopted by shareholders’ meeting on June 24, 2022

Article 1:

The term "endorsements/guarantees" as used in these Regulations refers to the following: financing endorsements/guarantees, customs duty endorsement/guarantee, other endorsements/guarantees and any creation of a pledge or mortgage on its chattel or real estate as security for the loans of another company. The term financing endorsements/guarantees including: Bill discount financing. Endorsement or guarantee made to meet the financing needs of another company, Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty matters. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.

Article 2:

Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project, or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, or where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other, the endorsements guarantees is limited to the following companies:

1. A company with which it does business.
2. A company in which the Company directly and indirectly holds more than 50% of the voting shares.
3. A company that directly and indirectly holds more than 50% of the voting shares in the Company.
4. Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the public company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the public company holds, directly or indirectly, 100% of the voting shares.

The term “Capital contribution” shall mean capital contribution directly by the Company, or through a company in which the Company holds 100% of the voting shares.

"Subsidiary" and "parent company" as referred to in these Regulations shall be as endorsed by the Competent Authority: International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

#### Article 3:

Total amount of endorsements/guarantees of the Company:

1. Total amount of endorsements/guarantees of the Company shall not exceed 250% of the net worth on the latest financial statement. The term "net worth" means the balance sheet equity attributable to the owners of the parent company.
2. The endorsements/guarantees amount as stipulated in Article 2 (2) and Article 2 (3) and the endorsements/guarantees amount between the companies with 100% voting rights held by the Company shall not exceed 100% of the Company's net worth; however, the total amount may not exceed the threshold stipulated in Article 3 (1).
3. Except for the provisions of Articles 2 (4) and 3 (2), the amount of endorsements/guarantees for one single enterprise shall not exceed 5% of the Company's net worth.
4. The total amount of endorsement/guarantees provided by the Company to any individual entity deriving from business relations shall not exceed the total business amount between such party and the Company. The total business amount refers to the previous 12 months before Endorsements/Guarantees, whichever is higher on the purchase amount or sale amount of the goods between the parties.
5. The ceilings on the amount permitted to a single entity of the Company and Subsidiary shall not exceed 100% of the Company's net worth.
6. Total amount of endorsements/guarantees of the Company and Subsidiaries as a whole shall not exceed 250% of the Company's net worth on the latest financial statement. If the aggregate amount of endorsements/guarantees that is set as the ceiling for the Company and subsidiaries reaches 50% or more of the net worth of the Company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders' meeting.

#### Article 4:

The Company's making of endorsements/guarantees is subject to the approval of the Board of Directors, but the Board of Directors may authorize the responsible supervisor of the Company to make a discretionary decision for an amount not exceeding the threshold as stated below and then report it in the board meeting afterward for recognition.

1. Endorsement/guarantee for one single legal person or group is within an amount of NT\$10,000,000.
2. For a subsidiary with over 50% voting rights held by the Company directly and indirectly, it is for an amount equivalent to the Company's shareholding ratio multiplied by not more than 40% of the net worth of the subsidiary.

Before making any endorsement/guarantee pursuant to Article 2, paragraph 2, a subsidiary in which the Company holds, directly or indirectly, 90% or more of the voting shares shall submit the proposed endorsement/guarantee to the Company's board of directors for a resolution, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.

Where the Company needs to exceed the limits set out in the Operational Procedures for Endorsements/Guarantees to satisfy its business requirements, and where the conditions set out in the Operational Procedures for Endorsements/Guarantees are complied with, it shall obtain approval from the board of directors and half or more of the directors shall act as joint guarantors for any loss that may be caused to the Company by the excess endorsement/guarantee. It shall also amend the Operational Procedures for Endorsements/Guarantees accordingly and submit the same to the shareholders' meeting for ratification after the fact. If the shareholders' meeting does not give consent, the Company shall adopt a plan to discharge the amount in excess within a given time limit.

Where as a result of changes of condition the entity for which an endorsement/guarantee is made no longer meets the requirements of these Regulations, or the amount of endorsement/guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to all the independent directors, and shall complete the rectification according to the timeframe set out in the plan.

#### Article 5:

The Finance Department conducts a credit investigation and a risk assessment on the endorsed/guaranteed company. The assessment items should include:

1. The necessity of and reasonableness of endorsements/guarantees.
2. Assess whether the endorsements/guarantees amount is necessary according to the financial position of the endorsed and guaranteed company.
3. Whether the accumulated endorsements/guarantees amount is still within the limit.
4. If the making of endorsements/guarantees is due to a business relationship, it is necessary to assess whether the endorsement/guarantee amount and the business transaction amount are within the limit.

5. The impact on the Company's business operations, financial condition, and shareholders' equity.
6. Whether security/collateral must be obtained and appraisal of the value thereof.
7. Attach credits status and risk assessment records of the entity for which the endorsements/guarantees is made.
8. The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees, in its financial reports and provide certified public accountants with relevant information for the implementation of necessary audit procedures.

Article 6:

The Company should handle the making of endorsements/guarantees with the company seal that is used only for business registration with the Ministry of Economic Affairs, and all other seals are deemed invalid for this purpose.

Said company seal in the preceding paragraph shall be under the safekeeping of a designated person, and the seal for the relevant guarantee notes shall be handled in accordance with the operating procedures prescribed by the Company.

Article 7:

The endorsements/guarantees of the Company is conducted by the Finance Department. The Finance Department shall prepare an "endorsement/guarantee registration book". The financial department's personnel in charge shall record in detail the following information for the record: the subject of the endorsement/ guarantee, the name of the party made for the endorsement/ guarantee, the amount of the endorsement/ guarantee, and the condition and date and reason for discharging the obligation of the endorser / guarantor.

The endorsement/guarantee register in the preceding paragraph shall be kept and recorded by the person in charge designated by the Finance Department.

Article 8:

The clerk responsible for the making of endorsements/guarantees should have the endorsement/guaranteed note and the endorsement/guarantee register submitted to the competent authorities for approval before processing.

Article 9: Guarantees Cancelled.

When the Company has the endorsements/guarantees cancelled, the guaranteed individual should retrieve the issued bills and go through the formalities for cancellation with the responsible clerk, and the cancellation date and reason shall be recorded in the "Endorsement/Guarantee Register."



The responsible clerk shall, on a monthly basis, record the increase and decrease and the balance amount in the “Endorsement/Guarantee Statement” before the 5th day of the following month and then report it to the competent authorities for announcement.

#### Article 10:

If the endorsement/guarantee bill is presented for payment by the insurance authority or directly applied to pay off debt, the guaranteed individual shall attach the certificate to the Company’s responsible clerk for verification and confirmation, as the basis for the cancellation of the guarantee responsibility.

The cancellation of the aforementioned endorsement/guarantee is subject to the provision stated in the preceding paragraph.

#### Article 11: Procedures of Public Announcement

The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month. The Company whose balance of endorsements/guarantees reaches one of the following levels shall announce and report by regulations within the time limit counting inclusively from the date of occurrence of the event.

1. The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50% or more of the company's net worth as stated in its latest financial statement.
2. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20% or more of the Company's net worth as stated in its latest financial statement.
3. The balance of endorsements/guarantees by the company and its subsidiaries for a single enterprise reaches NT\$10 million or more and the aggregate amount of all endorsements/guarantees for, carrying amount of the investments accounted for using the equity method, and balance of loans to, such enterprise reaches 30% or more of company's net worth as stated in its latest financial statement.
4. The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and reaches 5% or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

#### Article 12: Internal Control

The Company's internal auditors shall audit the “Procedures for Making of Endorsements/Guarantees” and the implementation thereof no less frequently than quarterly

and prepare written records accordingly. They shall promptly notify all the Independent director in writing of any material violation found.

The Company shall comply with these Regulations when making endorsements/guarantees. Any material violation found, punishment being imposed on the managers or personnel in charge.

Article 13:

When a subsidiary of the Company intends to make endorsements/guarantees for others, the Company shall instruct it to formulate its own Regulations for endorsements/guarantees, and it shall comply with the Regulations when making endorsements/guarantees.

Article 14:

If any of the Company's managers or personnel in charge violates this Regulation, the person who violates this Regulation will receive penalties commensurate with the severity of such violation according to the Company's "working rules."

Article 15:

Matters not covered in the Regulations are handled in accordance with the relevant laws and regulations and the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies."

Article 16:

This Regulation and any amendments hereto, shall be effective once approved by of the Audit Committee and the Board of Directors, and after adoption by shareholders' meetings. If any directors express an objection and such objection is recorded in the meeting minutes or a written statement is made for such objection, the Company shall submit the objection to the shareholders' meeting for discussion. The same Regulation shall apply to any amendments to the Regulation.

The preceding paragraph shall be approved by more than half of all audit committee members and submitted to the board of directors for a resolution. If approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

Article 17:

For circumstances in which an entity for which the Company makes any endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, relevant follow-up monitoring and control measures shall be expressly prescribed.

In the case of a subsidiary with shares having no par value or a par value other than NT\$10, for the paid-in capital in the calculation under of the preceding paragraph, the sum of the share capital plus paid-in capital in excess of par shall be substituted.

## Appendix 7

### As of the book closure date for this shareholders' meeting, Shareholdings of Directors

Date: April 9, 2023

Position	Name	Elected Date	Tenure of office (Year)	Common Shares Held at Previous Election		Current Common Shares Held		Note
				Number of Common Shares	%	Number of Common Shares	%	
Chairman	Sen-Mei Cheng	June 10, 2020	3	4,943,976	1.66%	4,943,976	1.66%	None
Vice Chairman	Yi-Ming Lin	June 10, 2020	3	4,510,976	1.51%	4,510,976	1.51%	None
Director	Representative of Everise Investment Co., Ltd.: Cheng-Wei Cheng	June 10, 2020	3	9,282,856	3.12%	10,757,856	3.61%	None
Director	Hsi-Ming Pai	June 10, 2020	3	697,821	0.23%	697,821	0.23%	None
Director	Yi-Lun Cheng	June 10, 2020	3	2,593,021	0.87%	2,593,021	0.87%	None
Independent Director	Jui-Lin Lo	June 10, 2020	3	0	0.00%	0	0.00%	None
Independent Director	Chung-Cheng Wang	June 10, 2020	3	0	0.00%	0	0.00%	None
Independent Director	Chia-Yu Chen	June 10, 2020	3	0	0.00%	0	0.00%	None
Total				22,028,650	7.39%	23,503,650	7.88%	

Total shares issued as of Jun 10, 2020: 297,963,902 common shares.

Total shares issued as of April 9, 2023: 297,963,902 common shares.

Under the relevant regulations of the ROC, the company's directors are required to hold in the aggregate not less than 12,000,000 shares, As of April 9, 2023, the company's directors together held 23,503,650 shares, consisting of 7.88% of the Company's outstanding shares.

The Company has established an Audit Committee, therefore the minimum shareholding requirement for the supervisors is not applicable.

### The Impacts of Stock Dividends Issuance on Business Performance and Earnings per Share

Unit: NT\$ thousands, except cash dividend per share in New Taiwan Dollars

Item		Year	2023
Beginning Paid-in Capital			\$2,979,639
Dividend Distribution of the Year	Cash dividend per share (NT\$)		2.5
	Stock dividend from retained earnings, number per Share		0
	Stock dividend from capital surplus, number per Share		0
Changes of Business Performance	Profit from operations		
	Profit from operations % change over the same period last year		
	Net Profit		
	Net profit % change over the same period last year		
	Earnings Per Share		
	Earnings per share % change over the same period last year		
	Annual average investment return (the reciprocal of the P/E ratio)		
Pro Forma Earnings Per Share and P/E Ratio	If stock dividend from retained earnings were transferred to cash dividends	Pro forma earnings per share (NTD)	Note
		Pro forma annual investment return	
	If no stock dividend from capital surplus	Pro forma earnings per share (NTD)	
		Pro forma annual investment return	
	If no stock dividend from capital surplus and stock dividend from retained earnings were transferred to cash dividends	Pro forma earnings per share (NTD)	
		Pro forma annual investment return	

Note: The Company is not required to publish its 2023 financial forecasts; therefore, the 2023 forecast data is not available.